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of the ~~study~~ study

"ECONOMIC SITUATION IN FNR YUGOSLAVIA"

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Enclosure to
SUBJECT: Economic Situation in Yugoslavia

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The economic situation in Yugoslavia is inter-connected with the Communist order which is in power in that country. The Communist planned economy is the workmanship of the Communist political-legal system. This dictatorial system, on the other hand is the raison d'être of maintaining such an economy, which is to be the best by considered those men who are convinced of the justification of the Marxist-Lenin~~ist~~ Doctrine. Because of this it is necessary to ~~compare parallel with~~ *study* the economic situation with execution of the new Communist social order in Yugoslavia.

1. Communist Doctrine in Yugoslavia

Prior to the war of 1941, Yugoslavia had approximately 12,000 Communist Party members who were headed by Josip Broz-Tito. They were trained in the Marxist-Lenin Doctrine. As great fanatics they took active part in the struggle against the occupiers after the entry of the Soviet Union into war in 1941, and also in the Civil War which was incited by them against the National Resistance Movement which was headed by General Mihailovic. According to official data, approximately 10,000 Communists perished in this struggle, while the remaining 2,000 of the pre-war Party members, upon assuming power in the later part of 1944, resorted to crude and bloody implementation of the Communist Doctrine in Yugoslavia. This small Communist group led by Tito ~~ceased~~ ^{took} power with the assistance of the Red Army which occupied Belgrade in October 1944, ^{and since} Tito was greatly assisted both morally and materially before and after this time also by the Western allies. These Yugoslav Communists who consider themselves to be *Approved For Release 2002/01/04 : CIA-RDP83-00415R010100150003-9*

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that they will successfully re-educate the entire Yugoslav Nation in the spirit of Communism, if they successfully maintain themselves in power by force for a ~~certain~~ sufficient period of time.

a. Communist Activities in Yugoslavia Prior to and During the War from 1941 until 1945.

The majority of the population of Yugoslavia have been and still are ~~still~~ peasants - agrarians, who cultivate their small farms. To the extent that ~~there~~ were peasants who had no land, or who have insufficient land for cultivation, it was not difficult for these peasants, especially in the areas of Serbia, to easily attain land thanks to the agrarian reforms which were carried out in various forms since the 19th century. These peasants, as well as the tradesmen and shopkeepers in the cities, all of whom were pious, modest people satisfied with very little, represented the large element which stood in opposition to the spreading and strengthening of Communism and Socialism.

In the early years after World War I, the new Communist Party made great strides and began its revolutionary activities through political attacks on life, and other illegal methods. It was at this time that all the Democratic political parties ~~made~~ agreed combined efforts in order to abolish the Communist Party as a Party opposed to the Government, and in order to condemn the constructive activities of this party through legal measures. This was the first measure undertaken against Communism ~~which was taken~~ throughout the world and ~~which was~~

~~only~~
~~also applied in Yugoslavia, who was accused by other nations of so-called~~

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the so-called advanced elements in other nations. As a result, the Communist Party turned to covert and illegal activities, ~~subsidized~~ ^{financed in large} sums ^{by} the Soviet Union. The Communists, however, were greatly despised by the majority of the Yugoslav population. Not even the free Socialist Party of Yugoslavia which was based on the Marxist theory could take root in the population, and at most elections did not even have one representative in the Parliament. As a result the Communist Party concentrated its major attention to the educating in the Communist spirit the youthful intelligentsia, comprising students, teachers and even pupils of the gymnasium. ^{Due} ~~Thanks~~ to the ~~stumbling~~ of the government, the Communists were fairly successful in the implementation of their doctrine among the youth, and in the infiltration of finished Communists into other parties, and into government administration. These young intellectuals were the main pillars of Communist ideology, and they were the commanding officers cadre in Partisan units.

In World War II between 1939 and 1941, until the entry into the war of the Soviet Union, Yugoslav Communists were always on the side of the German aggressors, even at the expense of their own country when the later was attacked by ~~the~~ Germany and her axis partners on 6 April 1941. The German attack on the Soviet Union on 22 June 1941 brought about a change in the policy and tactics of Yugoslav Communists in accordance with instructions obtained from Moscow. Bearing in mind the greatly developed patriotism and love of freedom of the Yugoslav

population, and at the same time ~~desires~~ ^{desires} of directly assisting

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the Soviet Union, the Yugoslav Communist Party upon instructions from the Comintern and Moscow organized in July 1941 armed revolt against the occupier - the Germans, Italians and others. These local armed activities were neither sufficiently equipped technically or ~~trained~~ ^{trained} tactically for any hopes of great success. These activities were organized hastily out of purely propaganda reasons ~~directed~~ ^{primarily} intended for the Allies and for the destruction of Communist leaders, particularly Tito. These armed activities were not popular with the Yugoslav population, and particularly after bloody reprisals of the enemy against the Serbs, who suffered enormous unnecessary losses in lives. The established belief among the Western Allies, and particularly among the British, was that from a military standpoint these diversionary activities were necessary, in order to engage and stall as many ^{enemy} troops as possible which otherwise would have been employed on the ^(Russian) Soviet front. This belief was an illogical fiction and ordinary (common) or plain mistake, because these non-serious Communist military operations were easily suppressed by the smaller local police units, and detracted nothing from the main Russian front, all the more so because they were at the disposal (~~servicing~~ at the service) of the Bulgarian and Italian troops. At this time and prior to this time nationalist resistance of the "Yugoslav Army in the Fatherland" was organized and operating under the command of General Draza Mihailovic. This resistance was directed against the enemy for the liberation of the nation and of the government, and with this aim in view the necessary armed forces capable of successful activities were organized beforehand which would be able to fight in

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decisive battles for the liberation of the country, in coordination with the military operations of the Allies in the Balkans or in Central Europe. The Germans ~~considered~~ and other occupiers considered this nationalist resistance movement to be a very great menace (danger) for them, and as a result they undertook against it a large scale and extremely severe military and other types of measures as late as the middle of 1944.

The military aims of Tito and the Communist Party of Yugoslavia were centered on the spreading of Communism and on gaining a firm foothold for it in Yugoslavia, through the annihilation of the nationalist resistance of General Mihailovic and true democratic anti-Communist factions. The battle which was directed against the occupier was merely a means of propaganda. Tito was under no condition interested ⁱⁿ ~~and~~ cooperating with the nationalist resistance and in the later part of 1941 his armed units attacked the units of General Mihailovic, and provoked thereby an internal Civil War during enemy occupation which lasted until the end of the war. This is the unique ~~of~~ case of this type in history. All attempts on the part of the allies to reconcile the two armed factions of resistance so that they may cooperate with one another as was the case in other occupied countries, ~~were in vain~~ failed as a result of the obstructions of Tito, and the intrigues of Communists, who on top of it shamelessly ~~through~~ threw the blame for these very facts on Mihailovic. ~~In actuality~~ As a matter of fact, the Communists in Yugoslavia have always directly assisted the occupiers and were the real traitors of the Yugoslav population, as has been proven since by claims of the Cominform. Particularly in the large inhabited areas and cities, the Communists who were smuggled into the intelligence services and other services of the occupiers ~~in~~ were charged with the main task of denouncing the nationalists

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and accusing them even during 1944 at the time when the Germans commenced to persecute the Communists, ~~as being~~ that these very nationalists were Communists, so that they would be punished and killed putting them in the authority of moralizing to their oponents that ~~it is not necessary~~ one should not collaborate with the Germans and accusing them of treason, the Communists were successful in spiritually breaking up the fighting democratic factions of the population, and by means of other types of ruses and through foreign propaganda particularly through radio propaganda on the BBC from London forced themselves upon the Yugoslav population as the authoritative leaders and the so-called national army of liberation against the occupation. The masses of the Yugoslav population deceived, misled, and headed by the fanatic Communists gave and suffered enormous losses in the belief that they were fighting for their liberty and the ideals of democracy. All during this period of war this small number of Communists were carrying out skilfully, cautiously and in stages "the reeducation of the population" in the Communist spirit employing in the process appropriate mottos and thus preparing and creating a favorable ground for assumption of power.

b. Communist Activities after their Rise to Power in Yugoslavia.

After Tito rose to power the Communists immediately set about to organize the Government after the Soviet system, applying thereby the political and economic principles of Marx and Lenin. All democratic parties which fictiously made up the so-called "popular front" were abolished, in spite of the fact that they did not even begin to exist as parties, and the dictatorship of the Communist Party was thus instituted. The Tito-Subasic agreement was neither carried out in deed, spirit or word. The corresponding regulations of the Yalta Agreement were ridiculed. The only substitute for a monarchy for

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a republic under allied control, which was provided for by Allied agreement, was not held, and the decree abolishing the monarchy was proclaimed by the decision at the First National Assembly which was made up of Communists and Communist sympathizers - who were chosen by undemocratic methods.

In the economic domain, the Government, by abolishing the idea of personal property, took possession ^{of} without any reimbursement, all means of production (factories, mines, large agricultural estates) all means of communications, commerce and trades and crafts, apartments and other properties of the citizens, allowing them only what was of utmost necessity for living and the cultivation of land through their own individual labor. Through the introduction of ~~an economic system of~~ ^a socialist economic system, a systematic proletarianization of the entire Yugoslav population was begun. Oppression thus becomes the principle of the Government and ~~maintainance~~ of the Party.

Yugoslav foreign policy was voluntarily placed under the leadership and guidance of the Soviet Union. Political and military agreements were made with all Communist Governments in which the so-called "popular democracy" was in power. Tito became the champion of Moscow in the Balkans and ~~the~~ a challenge to Western allies, ~~and~~ downing sadistically even the planes of the United States. Oppression was being carried out by the most inhuman methods. The dignity and worth of the human being by degrees were disappearing, and man became ~~the~~ tool. Only in this way could the Communist regime maintain itself in power and strengthen that power with the purpose of creating a new socialist world.

The official "Five-Year Summary of the Public Prosecutor of Yugoslavia" which was published in 1951 provides
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information from which it can be seen that between 1945 and 1950 approximately 6,000,000 men and women passed through the prisons of the present Communist Yugoslavia. This figure represents 80% of the adult population. The struggle of the people of Yugoslavia to free themselves from this dictatorial regime was brutally suppressed by the Communists who made it impossible for the people to oppose them in any way by doing away with all their internal enemies.

The Yugoslav Communists headed by Tito gained such power that they became disobedient and undisciplined even toward the Soviet Union which had organized them and brought them to power. It first started with an internal Communist family squabble which later led to an official break between the Cominform on the one hand and Tito, Rankovic, Djilas, and Kardelj on the other. This break basically was of a personal nature and was not founded on ~~persons~~ doctrinary principles. After the official Tito Cominform break the situation in Yugoslavia changes ~~both~~ and has political~~ly~~ and economically~~ly~~ consequences. Tito remaining further a Communist, skillfully maneuvers between the two opposing political blocs and takes advantage of economic and political benefits offered to him by the Western powers. This clever play of Tito will continue until the West has ~~had~~ been convinced that it can have little use (assistance) of Tito and the Yugoslav Communist. In spite of this situation Tito and his Communists have concentrated more than ever their energy on the socialization of Yugoslavia, particularly in the industrial and agricultural field. The "building of socialism" as a motto becomes the ~~new~~ bible of the Communist religion in Yugoslavia, depriving the population of political liberties. This socialist development is actually the introduction and strengthening of the Communist order in the country. The development of socialism ~~thus~~ as a result warrants the

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elimination of political liberties and the reign of terror. In regard to this, Tito made the following statement in a speech delivered in Skoplje on 4 August 1949: "This is consequently the issue of all things, and at present the question to be asked is who is for socialism and who is against socialism. He who is against socialism is an enemy and must be dealt with." Tito believes that the West will assist him in this socialization, and particularly England to whom he has been intimating special economic advantages ^{in return} for ~~any~~ assistance.

C. Yugoslav Communist Tactics in Connection with the Tito-Cominform Conflict

Tito and his close entourage after being expelled from the Cominform in the middle of 1948, endeavored to have the resolution withdrawn so that they could be accepted back into the Cominform. Their attempts, however were not successful, and they thereupon turned to defending themselves, switching over with caution, and by degrees to a doctrinary attack against the Soviet Union and her Satellites. The Tito Communists brought forth and are now standing in the defense of the doctrine on the equality of Communist States, and of their independence of the Soviet Union - in compliance with the principles of Marx and Lenin. On 27 April 1950 in a speech delivered to the National Assembly, in discussing the history of the conflict with the USSR and other Cominform countries, among other things, Tito made the following statement: "....because these are activities of the USSR in opposition to the Marx doctrine. These activities are fully compromising the essence of the revolutionary socialistic development in the World, and of Socialism in general".

Yugoslav Communists publicly claim that their doctrine is the most accurate one for the strengthening of International Communism and for the creation of favorable conditions in other free countries for the attainment to power of the

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Communist regime. At secret Communist Party conferences (meetings) and in confidential conversations among Communists, the following ideas are mainly being propagated:

- The Soviet desire for World domination, and the Soviet degenerated ~~bureaucracy~~ bureaucracy becomes fatal with regard to the spreading of Communism throughout the World because many socialists and supporters of the Marxist theory in capitalist countries will not join the Communist parties, ~~because~~ the latter have ^{ing} become a "weapon of Soviet imperialism" to the World public.
- The mistaken diplomatic tactics and international policies of the current Kremlin leaders have caused a reaction in capitalist States in the West, and have resulted in their coalition against Communism (the Marshall Plan, the Atlantic Pact, and others).
- The Armed Communist attack in ~~Southeast~~ Korea upon the orders of Moscow creates a war disposition and embitterment against Communism in the democratic countries of the West.
- The threats of revolution and war by the Soviet Union, no matter how they may be camouflaged, greatly damage and can easily compromise the Communist World Revolution, which is the ideal of Yugoslav Communists, and through which only the latter can establish themselves in the Yugoslav population, according to their opinion.
- The ~~warfare~~ campaign of Communism against the democracies, before the current Communist Governments ~~are~~ are sufficiently strong economically, and sufficiently armed, is provoked by the degenerated old men of the Kremlin. This premature war will be a sure defeat of ^{World} Communism, particularly and primarily in Yugoslavia.
- These authorities in the Kremlin, particularly Stalin, are nearing the end of their lives, and after Stalin's death there will be great changes in the

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personal structure of the Politburo of the USSR, which will at that time be fully aware of the great blunder and mistake in breaking of relations with Yugoslavia, and the injustice which was done to Tito and the Yugoslav Communist Party, and they will be then sure to request that peace be made.

- Tito and the Yugoslav Communists will do nothing which will compromise the interests of International Communism. The acceptance of materiel aid from the West for purposes of economic strengthening of the Communist Party of Yugoslavia Tito publically explains as follows: " There are intelligent people who offer us assistance without any political conditions in return, and we gladly accept this aid for the development of Socialism."

All these ideas and many other measures maintain the majority of Yugoslav Communists on the side of Tito, who neither can or will ever give up Communism. Ideologically Tito ~~differs~~ does not differ from Stalin. The only difference is in the methods of implementing Communism, and one must not forget that with regard to a World Revolution, the Communism of the Tito type is far more dangerous for the free peoples than the Communism of the Stalin order.

It is easy to understand why to date the hopes of the Cominform for the overthrow of Tito's regime by means of a revolution of Yugoslav Cominformists could not be materialized. The reason is because of activities as described above, which are directed toward the maintenance of the Communist spirit, and because of severe measures undertaken in Yugoslavia to suppress all opposition in the Communist Party in Yugoslavia, which contains numerous competitors and unconvinced Communists.

Yugoslav Communists who support Josip Broz Tito consider him to be a very

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and whose greatest Communist moral is that to date he was successful in fooling all and even the clever Stalin, and that he will be able in the future to fool the Western Statesmen who are currently greatly assisting him.

and with great satisfaction
Tito will easily/withdraw his elastic statements and eventual obligations of cooperation with the West, as well as various concessions made by the regime toward the Yugoslav population, as soon as the existing economic and political difficulties have been overcome, and he has strengthened his power, just as he has done in the past.

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Tito in his relation to the National Parliament on April 26, 1947 among other things said also the following:

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"The realization of the Plan will change our country completely, i.e. not only it (the country) will become much richer in material goods, but these goods will also permit a fast cultural development. We shall have many more factories, mines, railroads, various machines, good communication means, cattle and foodstuffs of all sorts, and at the same time middle and higher schools, various institutes of learning, reconstructed towns and villages, etc. At the same time the conditions will be created which will facilitate the future large scale development. The well-being of people will increase considerably. At the end of the fifth year the national income will attain an enormous increase. Compared to 1939 the situation will be almost the following: 235 billions of dinars of national income in 1951 as compared to 132 billions in 1939, or an increase of 93%. Besides of this, the worth of the total material production in 1951 will be 366.6 billions as compared to 203 billions in 1939, or an increase of 80%."

III. POLITICAL, MILITARY, AND PROPAGANDA AIM OF THE PLAN

When the Five-Year Plan had been projected and proclaimed Tito was in the greatest love with USSR. Then Stalin considered Tito as the most convenient person to communize Balkans, and a strong military Yugoslavia, with Tito on the top, as an excellent military base and avant-garde for the offensive penetration of international Communism into Italy and Mediterranean. Because of this USSR, immediately after the end of operations in Germany in 1945, started to arm, fast and in great measure, Yugoslavia first, when other countries in the West began to demobilize their armed forces.

The Five-Year Plan was supposed to serve military aims in the first place, while the economic side was supposed to be only the means and the material basis. The so-called "national wellbeing" was and remained only the camouflage.

The following factors prove that military considerations were above the economic considerations:

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The quick adoption of the Plan without sufficient time-consuming technical

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preparations, which are called for by economic considerations, and which Boris

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Kidric, the member of Politburo, in the National Assembly on April 26, 1947, openly called "The mobilization of all the available forces of the country."

The quick creation of a relatively strong military industry by pushing forward heavy and other industry, by using metallurgical raw materials on the spot, etc.

The speeded and planned construction of communications (RRs and motor roads) towards the Italian frontier and towards the Adriatic ports from the Danube area.

The Five-Year Plan is an excellent propagandistic means for the so-called "building of Socialism."

An impression was being made abroad that in the "Socialist Yugoslavia" there was more under construction in five years than in the pre-war Yugoslavia,

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where the means of production were in private hands, in Hungary, etc.

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In Yugoslavia ~~it~~ itself this plan contributed to the maintaining and strengthening of the Communist regime which was ~~excusing~~ its ~~sed~~ acts and crimes with the well-being which it was preparing for the broad masses. An average man who reads the plan and compares its impressive data comes to the conclusion that the production will be much higher ~~indeed~~ indeed and that it will satisfy all national needs. And the expert propaganda of the regime, other sources of informations being absent, was building castles in the air based upon the untruthful data of the Five-Year Plan, and thus began to educate the masses of the people in the Communist spirit.

IV. THE EFFORTS FOR THE FULFILMENT OF THE PLAN

All neutral observers, who knew the situation and the possibilities of Yugoslavia, were sceptical about the fulfilment of the Plan on the decreed scale.

Many official organs of the Cominform countries were declaring in 1948 and later that the Yugoslav Five-Year Plan was fantastic, unrealistic, and that it was impossible to realize it on the same scale as projected.

Yugoslavs -- economic specialists and anti-Communists in Yugoslavia -- did not believe the material results and even less the basis of this Plan. ~~And~~ ^{however,} the people in Yugoslavia, under the influence of Communist propaganda, wished to trust that their physical efforts, as well as other efforts, requested from them, might produce certain results usefull to all.

Communist agitators and the whole Yugoslav propaganda apparatus were declaring and are still declaring that this Plan of the "building of Socialism" will lead people to great wellbeing and real happiness, and that then, according to the national proverb, ~~for~~ "milk and honey will flow" in Yugoslavia although now there are great difficulties and great obstacles.

In this connection Hebrang stated the following in the National Assembly on April 26, 1947:

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that neither the

remainders of the reaction in the country nor their protectors abroad are able to prevent its fulfilment."

The President of the Cabinet, **SECRET CONTROL** declared at that occasion:

"From all this it follows **U.S. OFFICIALS ONLY** that those elements in our country who are contrarious to its industrialization are in reality the opponents of the wellbeing of the people, the enemies of peasants, workers, people in general, whatever their manner of masking their struggle against the industrialization.

Besides of this, various reactionary elements will try to prevent the ~~re~~ fulfilment of the Plan in various ways.....Our opponents abroad also recognize this (certain economic results), which makes reactionary elements in the country even more ridiculous and lamentable when they often babble that Yugoslavia cannot prosper without the aid

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of Americans and British. ~~Approved For Release 2002/01/04 : CIA-RDP83-00415R01000150003-9~~
economic stagnation, if we do not subject ourselves to Anglo-Saxon forces in economic
as well as in political aspect. These words evidently are the expression ~~of~~ of the
wishes cultivated by this reactionary clique. The aid which Greek and Turkish reactio-
naries have to receive from Americans ~~is~~ (the clique) happy." Etc.

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"I am deeply convinced ~~that we shall overcome~~ all the obstacles."

Meanwhile, all the efforts did not produce the results expected by the Yu-
goslav Communists. The Yugoslav Cabinet had to ask the National Assembly, through
Boris Kidric, Chairman of the Federal Planning Commission, at the end of December
1950 at the occasion of the discussion of the budget, that the term ~~of~~ for the fulfilment
of the Five-Year Plan be extended for another year -- until the ~~end~~ of 1952. With
this, the so-called Five-Year Plan has become in reality ^a six-years plan.

This has been the first public ~~economic~~ failure.

Kidric ~~xxxx~~ mentioned the following official reasons: economic blockade by
Cominform countries which had promised and stopped credits in the amount of about
\$ 400 million; new means for strengthening of the defense strength of the country
"in order to protect the independence and the building of Socialism"; the increase
of prices on the Soviet market, especially of those articles which are the most im-
portant to Yugoslav import. It is interesting to note however that the "line of the
building of Socialism and of the execution of the basic strategic tasks set forth
by the Plan"/Borba, Dec. 31, 1950/ has been retained by the Plan.

The second unsuccess of the Plan, which manifested itself already earlier,
is the demand of the Tito's Yugoslav Govt. to the Government of U.S.A. for food aid
to the people of Yugoslavia because of the threat of starvation during the winter of
1950/1951. The drought, which took place in Yugoslavia during the summer 1950, has
been given as the ~~xxxxxx~~ cause of the lack of food. It seems that the projected grain
elevators and food reserves, which were ~~planned~~ also planned by the Plan just for such
cases where there would be ^a scarcity of foodstuffs/grains/ have not been built
and prepared.

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The third public failure is the effect anticipated by the Plan,

that the ration cards for foodstuffs and other essential goods would be abolished some time up to 1951 because according to the Plan these articles have been supposed to be produced in much larger quantities than before the war when there was a sufficient quantity of them on the free market at normal prices.

The principle of Communist propaganda and tactics is to throw the guilt for their ~~own~~ failures always at their enemies. Just as the Marxist-Leninist theory is faultless so also the Yugoslav Five-Year Plan is faultless for Yugoslav Communists. Its carrying out will be stubbornly continued although -- from the objective point of view -- this is harmful to national economic interests and the real cause of the arisen economic crisis.

For the details of the Five-Year Plan see Annex 1, 2, and 3.

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According to the Communist doctrine, which is now being carried out in Yugoslavia, all able citizens, male and female, must be workers /intellectual and physical/ or rather "ardent workers for the building of Socialism." With this, the State has obtained the maximum labor force possible out of human society. The people are ordered to all the works necessary to the planned state economy by the state organs which do not take into consideration their interest and will for various economic branches but which only keep in mind their abilities in order to obtain greater productivity.

There are prizes for work: money bonuses, coupons for various foodstuffs, of greater or smaller worth in calories, coupons for industrial articles, and other smaller benefits. For those workers who cannot find proper work, who are not able enough for the given work, or who cannot ~~achieve~~ accomplish ordered work quotas, there is no need for the maintenance of life within the so-called "assured subsistence"; besides of this, for them there are also cemeteries and inhuman means: prisons, concentration camps, and ~~with~~ death. Tito drastically expressed it in the following manner: "That who does not work does not eat under the Socialism."

All the inhabitants, except Communist leaders, have become proletarians. From the slavery of the Old Age through the serfdom of the Feudal Era we have arrived to the proletarians--Communist laborers who in a certain sense have become greater slaves than those in the earlier periods. Since the slaves in the old times were nevertheless worth something, they could be sold and, therefore, they were well fed in order that their owner would not lose something if they would die; however, citizens-workers now cannot be sold and therefore do not need to be well fed because their death does not represent anything for the Communist regime because they are in reality considered to be consumers' goods.

The workers in Yugoslavia have no right to strike because "there can be no strikes under Socialism as under Capitalism because it would mean to strike against the State of workers." ~~U. S. OFFICIALS ONLY~~

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pressed by the Communist theoreticians. Syndical organizations are state organs and instead of safeguarding the interests of the workers they in reality exploit the workers taking care of the maximum utilization of the labor force and of the re-education of the workers in the Communist spirit by the so-called "economic education," "labor discipline," and "cultural uplifting of the workers-members of Syndicates." Syndical organizations in factories, towns, districts, and higher territorial-administrative units organize "socialist competition" between single workers, departments, factories and other higher units, pushing, in such manner, the production and carrying out the agit-propagandistic action for obtaining personal and collective pledges for the increase of work.

Wages, overtime payments and bonuses for workers are minimal; they are being paid more with propagandistic promises that they will attain a complete material security when, after the setting up of Socialism, the prosperity will come to Yugoslavia.

The secret aim of

^ The principle of the small work ~~bonuses~~ money bonuses together with the guaranteed supplying of workers as long as they work is to keep them attached to the work by without interruption ~~with~~ these contemporary slave chains as once the slaves were attached by physical ~~force~~ force. If the bonuses would be high/ which it would be easy to make for Communists in their internal market/

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then the ~~workers~~ ^{Approved For Release 2002/07/04 : CIA-RDP83-00415R0003-9} ~~of small savings~~ ^{SECRET CONTROL}
~~and work during the year much less and when they would want, and by this the state~~ ^{U.S. OFFICIALS ONLY}
~~planned economy would lose much by not utilizing completely the cheap labor force~~
~~and by fluctuations which would follow without doubt.~~

During the war and the first year after the war the Yugoslav Communist propagandists succeeded to make believe workers in industry, craft, and agriculture that the factories, workshops, and larger agricultural estates will be theirs, and not of their former masters, because they (are those who) work. After the ~~the~~ socialization of these means of production the workers found out that their former masters became proletarians as they themselves and that the workers did not receive the promised goods while their standard of life deteriorated. This was the first disappointment.

The second disappointment of workers was when they have found out that in the new state their human dignity is not taken into consideration and that their labor force is being thrown, ruthlessly and very cheaply, on the labor market as consumers' good. State labor organs are now often being attacked, even openly in the press, that they are using the labor force wrongly and unjustly, throwing it according to the momentary ~~needs~~ needs from one economic branch to the other as well as to other places, as cattle, not taking into account personal and family circumstances of the workers. Many enterprises, when they hire abler workers in order to carry out the Plan better, fire without any regard the surplus workers with decreased working strength, women with children, and nursing mothers; this labor force is then thrown into other ~~these~~ branches of economy, where there is the greatest scarcity of labor, and ~~this~~ steadily are: mining, agriculture, forestry, and building.

The result of all this has been the deterioration of the productivity of workers who lost their "Socialist love" for work, and a formal apathy came into being. Fluctuation of labor force or the migration of workers from one enterprise to another more agreeable enterprise becomes the regular phenomenon. In order to make this impossible, the Federal Government, besides of the decreed conclusion of contracts ^{Approved For Release 2002/07/04 : CIA-RDP83-00415R0003-9} ^{SECRET CONTROL}
~~between the enterprise and the worker for a longer period of time, issued the Decree~~ ^{U.S. OFFICIALS ONLY}

~~on making the labor force permanent and on correlation of labor with the~~
~~plan of the wages fund and with the plan of guaranteed supplying. The measures and~~
~~penalties against the fluctuation of workers are introduced by this Decree.~~

Piece work, which was rejected in the factories five years ago as "the remainder of the Capitalist exploitation of workers," was re-introduced in industry by the Decree of the Federal Govt, in 1951. Instead of it there were the so-called "quotas" before. The worker who would not accomplish the quota ~~and~~ would lose part of wage and would receive less coupons for foodstuffs. Now the Communists began to praise the piece work ~~saying that~~ asserting that the productivity of work has been considerably increased and production expenses lowered by the introduction of this system of work.

Yugoslav Government, besides of the known method of "shock-workers" (udarnik), undertook also the following measures in order not to let diminish the productivity of workers but to maintain and eventually to increase it on the basis of the satisfactory morale of workers: propagandizing the "Movement for high productivity of labor," the administration of economic enterprises by workers' collectives, and giving workers the ranks.

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This movement was born in the first half of 1949 on the initiative of motorized Alija Sirotanović, a miner in the coal-mine "Breza", who, without ~~mechanical~~ help, and together with 8 assistants dug out 152 ~~tons~~ metric tons of coal in 8 hours, ~~and~~ thus beating the record of the known Russian worker Stahanov.

This new method of work consists of the distribution of work in a group and it is based on the so-called "brigade system" of work on the working posts, mainly in mines, and each worker -- controlled by the process of work itself -- is compelled not to lose a minute in unproductive activity on the basis of the distribution of work. Sirotanović began to dig the coal at three places at the same time: he and an assistant digger were preparing the coal, another assistant digger was preparing the construction material and helped with the constructing of supports, while other six assistant workers divided themselves into two groups and each ~~one~~ of them was loading and taking away the coal from one working place. Later some other "brigadiers" began to work at four working places at the same time, and also on the large whole with the brigade of 36 workers, and achieved greater results: 862 metric tons of coal in one shift of 8 hours/.

This in reality is the chain system in the mine which exhausts the force of the worker and which replaces mechanization to a large extent.

In 1949 and 1950 the whole propaganda apparatus took lead of the action to make this method as much popular as possible, claiming that this Yugoslav invention was of the epochal value and glorifying the initiators of the movement.

The Central Committee of the Union of Syndicates of Yugoslavia ordered on Sept. 7, 1949 to all of its dependent syndical organizations to undertake "all the political and organizational measures" in order to spread this movement for the high productivity of labor to all the branches of economy and to make it the mass move-
of the class of workers.

Svetozar Vukmanović, Minister for Mines, declared the following in his interview of Sept. 3, 1949:

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"The Movement for the higher productivity of labor in mining, especially

in the coal mines, makes a faster development of the raw material base for our industry possible.....

It is a known thing that the Socialism can be built only under conditions of such productivity of the labor which is higher of the productivity of the labor in the Capitalist society.....

To take part in this movement, to attain high work effects every day--this is the Socialist and patriotic duty of every worker towards our Socialist fatherland.

On the other side, the movement for the high productivity of labor in mining solves, even if only to a small extent, the problem of the mechanization of our mines...

The movement for the high productivity of labor in mining developed from the conscious struggle for the fulfilment of the Plan, which (the struggle) is being carried on by our working class and by the working people of our country under the leadership of the Communist Party and Comrade Tito."

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II. THE BASIC LAW ON THE ADMINISTRATION OF STATE ECONOMIC ENTERPRISES
AND HIGHER ECONOMIC INSTITUTIONS BY WORKERS' COLLECTIVES

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The National Assembly approved this law unanimously on June 29, 1950. ~~The fol-~~ The following slogans were brought out in connection with the debate about the law:

"I am convinced that the working class and all the working people will enthusiastically greet and accept this law because it represents the new historical revolutionary acquisition of our peoples in the building of Socialism." / Djuro Salaj--Chairman of the Central Committee of the Union of Syndicates of Yugoslavia./

"This is one of the most revolutionary laws in our history, important not only for our working class and for the building of Socialism in our country, but also for the working class of the whole world." / Representative Viktor Ropret/

"Our working class acquired the ~~x~~ great role in the international ~~labor~~ workers' movement to take over as the first the direct management of enterprises and factories."

Already in the beginning of 1950 the Yugoslav Government ordered that in all state economic enterprises /factories, mines, etc./ the workers' councils be set up as the advising organs to the managements of enterprises in order to propose various measures for the advancement of the production.

The members of the workers' councils were elected by secret ballot by all workers and employees of an enterprise in such a manner that 1-5 members of the council were elected for each 100 workers, and in such a way that in the case of a great enterprise with ~~some~~ thousands of workers the council should not have ^{had} more than 100 members. Director of the enterprise in question was also in the composition of such council. These workers' councils had the same role and jurisdiction as the so-called "factory councils" in USSR. These councils, altogether about 205 of them in ^{large} ~~great~~ enterprises, did not make the Yugoslav workers enthusiastic because they were not order-making bodies and their recommendations and proposals were not binding for the directors in question who acted only according to the directives received from above from the higher state organs.

These workers' councils were ~~forerunners~~ of the workers' councils and administrative committees established by the ~~administration~~ ^{U.S. OFFICIALS ONLY}

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Meanwhile, according to the mentioned basic law of June 27, 1950, "the workers' collectives administer factories, mines, traffic, transport, commercial, agricultural, forestal, communal, and other state economic enterprises, within the frame of the state economic plan, AND ON THE BASIS OF RIGHTS AND OBLIGATIONS ESTABLISHED BY LAWS AND OTHER LEGAL DECREES."

"Workers' collectives realize this administration through workers' councils and administrative committees of enterprises, and through workers' councils and administrative

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committees of higher economic institutions. Enterprises are uni-
ted." /Combines/

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Workers' Council is elected for one year by the workers who concluded ~~manu~~ labor contracts with the enterprise /permanent workers/, by engineers and technical personnel, and by other employees of the enterprise, by secret ballot on the basis of a single list of candidates proposed by the syndical organization /Communist state organ/ or by a certain number of workers and employees. It is composed of 15-120 members. Workers' Council elects its chairman, meets at least once each six weeks, and the director and members of the administrative committee of the enterprise must be present at its meetings.

Workers' Council elects and dispenses the administrative committee and carries out other rights established by law.

Administrative Committee which is composed of 3-17 members administers economic enterprise or higher economic institution according to the laws and decrees and "is responsible for its work to the Workers' Council and to higher state organs, and the administrative committee of the enterprise also to the administrative committee of the higher economic institution." It can suggest the change of director.

The director of the enterprise or higher institution directs the production and management of the enterprise or higher institution and he is, by duty, a member of the administrative committee. He makes the contracts and disposes of the means of craft within the frame of the projected plan, he hires workers and employees and is responsible for his work /theoretically/ to the administrative committee of the enterprise and to the director of the higher economic institution, as well as to the competent state organ, and the director of the higher economic institution ^{/combine/} (is responsible) to the administrative committee and to the competent state organ.

"If the director believes that a decision of the administrative committee is contrary to the law, legal decrees, Plans, or the degrees of the competent STATE ORGANS, he is obligated to wait temporarily with the execution until the administrative committee of the higher economic institution or the competent state organ decides

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about the ~~Approved For Release 2002/01/04 : CIA-RDP83-00415R010100150003-9~~ is appointed by the Presidium of the National Assembly ~~SECRET CONTROL~~ or by the Presidium of the National Assembly of the Republic in question or by the People's Committee. Also director of the enterprise is appointed by the state authority. The position and the authority of directors are regulated by special law."

It is characteristic that the law presupposes that at least 3/4 of the members of the administrative committee must be workers who work directly in the production and that they have no salary as well as the members of the workers' council have no salary.

In connection with the promulgation of the a/m law the following slogans were used by the Communist regime:

"Factories—to workers"/from Paris Commune/;

"Direct producers administer social production"/ the thought of Karl Marx/;

"This law, together with the law of nationalization, represents the most revolutionary act brought about in Yugoslavia and such step forward in the development of the Socialist democracy as until now has not been realized in any Socialist country."

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And in spite of all the propaganda that the regime

that all the state enterprises are passing into the hands of the workers and that they administer them, in reality the workers neither receive these enterprises nor can they administer them.

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For the following reasons:

--Because the state syndical organization presents at the elections one single candidate list for members of the workers' council of the enterprise, and because these members of the workers' council are very probably good Communists or Communist sympathizers.

--Because the administrative committee has to work according to the fixed plan of production and in conformity ^{with} the legal decrees issued by the state.

--Because the administrative committee has no independent economic role and no initiative in the essential business of the enterprise, and its decisions in secondary problems can be stopped by the director of the enterprise, appointed by the state authority, until they (secondary problems) are resolved by the competent state organ.

The elected administrative committee can always be curtailed in its actions anticipated by the law.

If the economic enterprises would be really handed over to workers for the purpose of administration, then they should receive a proportional profit from the enterprises, and would operate freely on the basis of the economic principle of supply and demand and not according to the economic plans and legal decrees of the political-juridical state, changing the director and the members of the administrative committee when they would deem it necessary.

Therefore it is fiction and the greatest deceit that workers administer the economic enterprises in the manner as it has been ~~not~~ made public. This law is nothing but a propagandistic injection which has a double aim:

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--To deceive workers temporarily by raising their significance, that they are no longer merely a working force but also the administrative force, and

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--To cover the area of the 2nd of May Court DPB 00415R010100150003-9 to's Yugosla-
via went on the right, by giving workers more rights than they have in other countries.

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In reality, the workers' councils and administrative committees are not the
organs of the workers but unpaid auxiliary state organs of the director, of the enter-
prises and of higher competent state organs, while the ~~appropriate~~ owner of all the
enterprises continues to remain the state.

III. The decree on professional qualification and ranks of the workers.

In conformity to this decree of the Federal Government, promulgated in the
second half of 1950, giving of ranks to all industrial workers was carried out until
the end of 1950.

This decree establishes 9 steps of qualification:

- Assistant Worker---after a traineeship of 3 months
- Halfskilled Worker---after a traineeship of 9 months
- Skilled Worker---after a minimum of 15 months of traineeship
- Learned Worker---with traineeship of 18 months
- Independent Worker)
- Specialist)
- Senior Specialist)
- Master)
- Master in more fields)

In order to obtain these ranks it is necessary
to pass practical and theoretical examinations.

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In ~~applied~~ ^{step} ~~the system introduced~~ ^{also another} ~~rank~~ ^{i.e. of worker}
~~who does a general manual labor and~~ ~~has no rank.~~
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The administrative committees of the enterprises, with the assistance of special commissions, carried out the categorization of workers who until then were called unqualified, half-qualified, and qualified workers.

Higher professional skill of workers, which they will be able to attain in special professional schools, will draw higher ranks which will carry the corresponding higher wages.

The character of professional skill of workers ~~is~~ has been raised by this decree and they have become some sort of state employees (civil servants), and this, ^{together} ~~in connection~~ with the law on workers' pensions, is a very favorable reform from the moral point of view.

The new ranks were given to a total of 906,094 industrial workers until the end of 1950: 277,408 in Serbia, 266,411 in Croatia, 147,231 in Slovenia, 161,305 in Bosnia and Herzegovina, 41,500 in Macedonia, and 12,239 in Montenegro.

Artisan workers are not included in this number as well as some workers who according to the character of their occupation cannot be considered neither artisan nor industrial workers. The decree on ranks and professional qualification of artisan and other workers is under way.

Većeslav Holjevac, Minister of Labor of FNRJ, declared to the press on Jan. 6, 1951 that the categorization of workers according to the ranks is especially useful and important ~~for~~ for the structure of the new wage system and for the plan of working force.

It can be concluded that the moral status of the great majority of Yugoslav workers is very bad because the wrong economic basis of the ^{governing} ~~existing~~ regime cannot give satisfaction to workers, who are the most important economic factor of the contemporary collective life, in spite of the regulations of law raising somewhat their position in society, and (in spite) of all propagandistic measures and guaranteed subsistence (supplying).

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E) YUGOSLAV ECONOMY

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The whole Yugoslav economy, instead of free economic life, is directed and controlled by the Juridical State through collectivization.

The right to private property does not exist; even if individuals temporarily possess minimal material means for individual life, these means can be taken away by the state at any ~~moment~~ time.

Tito declared on April 26, 1947 at the occasion of the presentation of the Five-Year Plan to the National Assembly the following in the very beginning of his speech:

"Planned economy and its success are, naturally, tied unseparably with the existing new social order in the new Yugoslavia.

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Without this order, without the transfer of the means of production from private property to social property, without new democracy of the real people's democracy --, such planned economy would be impossible to realize. In our country it can be realized ~~from~~ due to the simple reason that industry, mines, and the basic wealth of the country are in the hands of the people. This is why the state can and must exercise its influence also on the private sector of the economy, and this is why also this sector has to be included into the general planned economy."

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Due to such economy there was a great penury in almost everything at the end of 1950 and later. If there would have been no American aid in food and other needs, economic breakdown would have surely taken place in Yugoslavia.

It can be concluded that the economic crisis, in weaker or acuter form, will last without interruption as long as the present Communist regime with the existing economic system will be in power.

I. INDUSTRY

At the time of voting the Five-Year Plan by the National Assembly on April 26, 1947, Premier Tito said the following about the importance of industry among the other things:

destitute

"Industrialization will permit hundreds of thousands of our ~~poor~~ citizens and our landless peasants to make their living without being forced to leave their country and to wander around the world looking for work. Industrialization of our country therefore represents a very important factor in the solution of social problem which is full of difficulties,

And the industrialization of the country, on the basis of the introduction of a planned economy in the new Yugoslavia, represents sure and direct improvement of the standard of life for our peoples, for our workers and peasants, for our citizens in general. While in the Capitalist lands the industrial rationalization and the increase of profit by the utilization of labor represent a real defeat for the working class -- because the ~~increase of profit~~ which is to create profits takes

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away the bread from a large part of the working class, burning large quantities of foodstuffs or ^{by} drowning them while the hunger reigns among the working masses ---, in our country exactly the opposite will take place and the prosperity of our peoples will only increase."

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Andrej Hebrang, then the chairman of the Federal Planning Commission, said at that occasion on April 26, 1947:

"The economic and defensive strength of every country depends from heavy industry, and especially from metallurgy and from the machine industry. Because of this, our main task, the fulfilment of which will permit the fulfilment of all other tasks, is to build a sufficiently strong heavy industry ^{and} with modern technical equipment."

The development of the industry, especially of the heavy one, has been indeed given the greatest push, and in comparison with all other branches of economy, especially with crafts, has been especially favored.

For industrial investments a credit of

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115.7 billion dinars for the duration of the Five-Year Plan. The projected worth of the year's industrial production was supposed to amount to 126 billion dinars.

During 1950 and 1951 a special attention has been given to the armaments industry and the intention of the regime is to make it independent in order that it would be able to produce the most important weapons and other military material as soon as possible.

Special attention is given to the construction of new factories and to the modernization of the old industrial enterprises.

The fabrication of certain products which had not been produced earlier has started: trucks, tractors, heavy locomotives, heavy machines for public constructions, cranes, hydraulic turbines, big steam boilers, work machines of heavy and middle capacity, electric machines and high tension transformers, agricultural machines of large capacity, etc.

The worth of the industrial production in 1951, according to the Five-Year Plan, was supposed to be five times the one of 1939, i.e. 10,625 dinars per inhabitant as compared to 3,378 dinars in 1939.

Economic blockade by the Cominform countries caused great difficulties in Yugoslav industry, and ⁱⁿ certain industrial branches caused catastrophe. Yugoslavia was oriented 90% towards the Cominform countries as far as investment purchases in the Plan were concerned. From the contracted purchases, 20 billion dinars worth -- mainly for the needs of industrialization, one billion dinars worth ~~it~~ was delivered until the blockade (began). The following should have been delivered from those countries according to the contracts concluded: a complete metallurgical combine for Zenica, complete equipment for aluminum combine in Strnisce, ^{tr} tractor factory, various equipment for large-scale chemical industry and for light industry, a large part of drilling equipment for the exploitation of petroleum, mining equipment, ~~various~~ equipment for thermoelectric and hydroelectric stations, etc. However, all this has not been received.

Besides of this, the forced development of industry had had serious discussions.

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the main factor of industry: the living material, i.e. the skilled workers. They could

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no be created in the parallel way and with the same speed as the factories are built and machines purchased. The creation of the skilled cadre of workers represents the greatest concern to the Communist regime; to make, besides of all other measures, ~~ready~~ prepared industrial workers with speed. This is the weakest point of the quick Yugoslav industrialization which cannot be overcome for a certain longer period of time.

The total number of industrial workers, mainly not sufficiently prepared and qualified for their work-- hastily taken from the agriculture, was 906,094 at the end of 1950, of which 70,000 employed in metallurgy. There were and are great difficulties in transforming industry due to the lack of basic materials: cotton, wool, and hides. ^(industry of transformation) textile and leather
Because of this, every year almost ~~there~~ all ~~the~~ factories have not been working for some months.

Yugoslavia has no coke for heavy industry and this must be imported from abroad which represents ^a big financial burden; two large coke factories are under construction now which will produce metallurgical coke from ^{brown} ~~dark~~ coal and lignite which will completely replace the real coke.

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Before the war, Yugoslavia was ~~undergoing~~ going through a slow and systematic but secure and favorable industrial development. Together with agriculture, the principal branch of production, she represented ~~a tremendous economic~~ whole.

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Although an unnaturally speeded ~~development of~~ industry cannot produce the expected results, the Yugoslav industrialization itself is very popular among the people and many uninformed persons still expect a quick ~~prosperity~~ prosperity of the people and the increase of the standard of life from it, as the Communist propaganda ~~is~~ continuously and particularly suggests. This is the Communist ace for maintaining the power, and the success or unsuccess of the industrialization is fatally tied with the Communists remaining in power or losing it.

On this basis the temporary flirting of Tito with the West can be understood in the best way; from it (West) he demands help for the industrialization of the country, because this for him and for his Communist regime is the matter of life and death.

See details in the annexes: I, II, 28, 29, 30, and 31.

II. ELECTRIFICATION

Especially great attention is given by the regime to the electrification of Yugoslavia. This electrification, according to the opinion of Yugoslav Communists, is supposed to become, besides of the mines, the source of wealth of the country and of the increase of the standard of life of the inhabitants. The official propaganda emphasizes this especially to the working masses.

The conditions for electrification are really very favorable because in Yugoslavia there are many waters which are not yet used for this purpose. Besides of this, the faraway coal and lignite mines could be exploited better and more economically with thermic electrification. New hydro- and thermoelectric stations have been and are being built with great speed, and the electric stations existing from before have been partially reconstructed and enlarged.

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All this has been done unsystematically and with an insufficient number of specialists because of which there were many errors and enormous damage. ~~Without~~ Without doubt all this could have been constructed better and more economically if this work

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would have appeared in the first place -- which was and
haste. The reason for all this is propaganda which is so much needed by the regime also in connection with the problem of electrification.

The production of the newly built and of the reconstructed power stations
amounted in 1950 to 350,000,000 kw hrs.

The production of electric energy was moving in the following way on the
yearly basis:

1939	1,100,000,000 kw hrs.
1946	1, 144, 157, 000 kw hrs.
1947	1,455,551,000 kw hrs.
1948	2,007,000,000 kw hrs.
1949	2,186,000,000 kw hrs.

1951--according to 5-Year Plan it should be 4,350,000,000 kw hrs. This quantity cannot be produced in any case.

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According to the latest estimation of hydroelectric stations with the total capacity of 122 million kw ~~xxxx~~ could be constructed on the rivers of Yugoslavia; they could produce about 60 billion kw hrs. of electric energy per year.

New hydro- and thermoelectric stations and other electric installations, as well as long-distance electric conduits (trunk-lines), the 5-year investments for which were anticipated to be of 30 billion dinars, are ~~under construction~~ being constructed.

The action itself and the work on the electrification of the country are popular and this may be the greatest success of the Communist regime in Yugoslavia.

For electric stations see Annex 15, for the organization of the transportation of electric energy see Annex 14.

III. MINING

a) Mineral wealth of Yugoslavia

With regard to other European countries Yugoslavia is mainly a mining country.

Before the World War II, the mining in Yugoslavia was developing very satisfactorily, systematically, and uninterruptedly, because all the necessary conditions were present. After the Communists took power, the exploitation of the wealthy mineral goods, ~~has been~~ in the first place of strategic metals, has been impelled.

As far as the quantity of production is concerned Yugoslavia occupies the following places:

Copper: the first in Europe and the eighth in the world.

Lead: the first in Europe and the seventh in the world.

Chrome: the sixth in the world.

Mercury: the third in the world.

Yugoslavia has not been investigated enough yet as far as her mineral wealth is concerned. Short time ago new beds of rare minerals have been discovered: of molybdenum, wolfram, cadmium, boracite, celestite (šelit ?), copper, antimony, lead, zinc, manganese, and chromium. There is gold and silver ^{research work} ~~being~~ is going on.

There is especially enough of black coal, brown coal, and lignite for the needs of industry. The quality of the black coal is not good enough for ~~xxxx~~ producing

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coke, this is why special coke factories for the production of metallurgical coke
from brown coal and lignite are being built.

There is enough iron ore for the needs of industrialization.

The production of strategic metals -- copper, lead, chrome, zinc, aluminum, antimony -- is sufficient for the present needs of the country and a great quantity of these strategic raw materials is being exported abroad.

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Svetozar Vukmanovic, Minister for Mines, gave to the press a statement in this regard on Sept. 9, 1949, when he said among other things:

"The lack of labor force, which we could at least temporarily replace the lack of mechanization, during the time until our heavy industry will be able to supply the to the mines the necessary machines in sufficient quantities, also represents a great, often irreparable, difficulty. Accordingly, the low level of the mechanization of our mines requires -- in as much as the production is increasing more and more -- an always larger number of workers, and we are not always in the position ~~that~~ to satisfy all these needs for labor force quickly and in harmony with the growing production. Therefore we find ourselves generally in the permanent ~~xx~~ scarcity of labor."

.....
"The movement for the high productivity of labor in mining still has not involved all the workers in the mines where it appeared. The movement got only the best brigades which work according to the new method and attain high productivity, while the other brigades work according to the old method and

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b) Petroleum

The production of petroleum started especially on the oilfields of Lendava and Gojilo.

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Explorations and drilling in four oil areas in Vojvodina, as well as in other places ^{where} the petroleum was found to be present, have begun.

However, in spite of the presence of the petroleum, large quantities of it could not be discovered and exploited until now.

In 1949 the exploitation of oil shales for the acquisition of petroleum derivatives has begun. The reserves of oil shales known until now surpass 1 billion tons.

450,000 tons of petroleum ^{yearly} should be produced ^{by} 1951 according to the 5-Year Plan. This quantity, however, could not be reached in spite of all the efforts until now.

c) Workers in mines

New mines have been opened, and the old ones have been enlarged.

In spite of all the measures undertaken by the authorities a large number of mines do not fulfil their yearly plans. The reasons for this are: bad organization of labor for systematic and planned exploitation of mines, insufficient labor force, fluctuation, and especially weak will of the workers. Before the ~~war~~ war, when the mines were in private hands, they were exploited faster, better, and more profitably, and the workers were much more ~~st~~ satisfied.

The present workers are not qualified for the work in mines to a large extent, and sometimes they come directly from agriculture and are coerced to go as working force. A large percentage of those who arrive, even up to 39%, do not go to work regularly using various "unjustified" excuses and this is the real cause ~~of the~~ for the lack of the labor force. All the promises and privileges given to workers in order to raise their eagerness for work, personal and collective pledges of workers for the increase of production, shock-workers, brigade system in connection with the movement for the high productivity of labor and other measures did not give satisfactory results.

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do not attack the high productivity of work.

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On the question of the Tanjug Correspondent: "What are the reasons for this situation?", Minister Vukmanovic answered: **SECRET CONTROL**
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"Before all, technical management of mines and Party and syndical organizations still have not enough forces obstinacy to break the conservative opinions of some conservative managers who stubbornly persist that the work should be done according to the old method. Technical management and the Party and syndical organizations still have not enough obstinacy to get all the workers into brigades and to carry out the new organization of work on all working places, etc. To overcome these weaknesses, i.e. to strengthen the brigade system of work -- this is the task of our miners' collectives."

d) The conclusion about the mines

With the relatively low wages the mines have become a big source of income for the Communist regime in a double sense:

- For the acquisition of foreign currencies by export of minerals, and
- For the industrialization of the country with cheap domestic raw materials.

However, unsystematic exploitation and quick draining of the mines is becoming less and less popular among the masses of the people since they see and feel that by the socialization of mines their standard of life is not becoming better by any means.

For details about the mines and petroleum see annexes: 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, and 33.

IV. AGRICULTURE AND FORESTRY

Before the World War II, Yugoslavia was notably an agricultural country. Agriculture represented her greatest wealth. Agricultural products/wheat, corn, lumber, etc./ were her most important articles for export.

After the war and after the Communists took over, Yugoslavia produces less and less in agriculture every year, in order that her government, at the end of 1950, had to ask the Govt. of USA for aid in foodstuffs, in order to avoid the catastrophic hunger which threatened the people. **SECRET CONTROL**
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This has happened for the first time in the history of the peoples of Yugoslavia.

The drought, which reigned in 1950 in the southern part of the country, is not the only and the main cause for the lack of food, because the same drought took place more or less also in the neighboring lands.

The main reason for the lack of foodstuffs is the Communist-Socialist economic policy in Yugoslavia, and especially the direct and obligatory delivery of foodstuffs at very low prices.

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a) Peasants' working cooperatives

(kolkhozes)

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Already in 1945, after taking power, the Communist regime wanted to introduce the Soviet system of kolkhozes in order to put peasants completely under the Communist control although in Yugoslavia there were no favorable conditions for such ~~exact~~ an agricultural system as they were in Russia.

In Yugoslavia the agricultural proletariat in the true sense of the word was non-existing because every village family had its own farm and if it did not have it in a sufficient extent it was able to obtain it easily thanks to the ~~prolonged~~ agrarian reforms which were carried out ~~much~~ earlier in the pre-war Yugoslavia in favor of ~~peasants~~ those people in agriculture who cultivated their land directly. On the other side, Yugoslav peasants -- especially Serbs -- are greater individualists than Russians and each one of them wishes to have his own property and to be free on it regardless of profitability of the union of more farms. Because of ~~this~~ this the system of forced collectivization (kolhozation) met the greatest resistance of peasants in the very beginning.

Then the Communist regime undertook the so-called "voluntary" creation of peasants' working cooperatives applying all the camouflaged coercive measures on ~~either~~ one side and facilitations for members of cooperatives on the other side, and especially ~~non-paying~~ exoneration from taxes, supply benefits and other advantages, and especially police protection for members of cooperatives in order that they would not be sent to concentration camps, forced labor, and similar. In the period of five years until June 30, 1950, the regime succeeded to set up in this manner only 6,971 cooperatives including 415,398 ~~member~~ members with 2,157,786 hectares. Communists hoped to get gradually and with time the majority if not all the peasants into these cooperatives.

Every farmer who becomes member of the cooperative has to give to the cooperative his whole property: land, buildings, cattle, and tools. He becomes an agricultural worker on this cooperative property and he is almost in every way subjected to the chief of the cooperative who is usually an especially appointed Communist functionary. All the

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members work on this property collectively and theoretically divide the profit among themselves but the lion's share is taken by the state.

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In reality, the life and the coercive labor in collectivity has been causing various disagreements, discontent, and quarrels. Since the members can no longer return to free work and life, a certain apathy and a tendency to work as ~~least~~ little as possible and to live better arose among them. This phenomenon of non-workers--parasites is becoming a rule and a regular appearance in the cooperatives, and from this type of people Communist agitators and controllers in villages are mostly recruited.

Generally taken, the main thing is that the cooperatives produce less than the formerly independent farms where there was love for own land, cattle, and personal work. But this was not and is not important to the regime, the main thing to which is to keep by it a better control over the peasants and to carry out their so-called "Socialist re-education." Convinced Communists believe still now that the insufficient economic effect of the socialized peasants' working cooperatives, in spite of all the favoritization by the Communist regime, is the result of the lack of Socialist ~~conviction~~ conviction, which will necessarily be created in time and on the basis of coercive organization, as they suppose.

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Tito declared the following about this problem in his statement about the tasks of the Federal Government to the National Assembly on April 27, 1950:

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"In order to strengthen the Socialist sector in our agriculture it is not enough to set up the highest possible number of cooperatives, but it is necessary to supply them as soon as possible with tools and machines, and it is necessary to strengthen them organizationally, economically, and politically. The consciousness of the members of cooperatives must be Socialist, i.e. their relationship towards the state and the Socialist collectivity must be different from that which is still prevailing today among many independent peasants. It is necessary to help the cooperatives with credits in order that they may raise as many pigs, cattle, etc. as possible. In one word, it is necessary to increase the cattle fund as much as possible because there are all the conditions for it in our country. Our cooperatives must really become the Socialist agricultural production enterprises. The cooperatives have to be founded on the voluntary basis, In the past there were some mistakes made in this direction in some places, but now they are heading towards the other extreme and the founding of new cooperatives has been completely ~~abolished~~ abandoned in some areas. It is necessary to do more political work in this direction and to continue ~~to found~~ the founding of cooperatives."

In spite of negative results the Yugoslav Communist regime continues with the socialization of villages. The labor force in the cooperatives is utilized very badly *with the consequence* ~~in order~~ that in 1949 the members gave only an average of 104 working days. Therefore it has been projected now to use people during the winter, when there is no work on the cooperative property, for crafts, for cutting ~~of~~ woods, and for other works.

The present duties of the state and CP organs in regard to the peasants' working cooperatives are:

1) More intensive political and agitatorial work for the creation of new cooperatives;

2) Economic aid to the existing cooperatives;

3) Expansion of their sector.

~~In any case it can be concluded that the collectivization of village proper-~~

~~ties (farms) in Yugoslavia suffered a considerable unsuccess.~~

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Although lately the measures for the collectivization of the agriculture have been temporarily and publicly stopped, the policy and the tendency of the regime have not changed and they will be realized later at the first (opportune) moment.

b) Individual peasants

The peasants who did not want to join the cooperatives represent the enormous majority.

The measures of the Communist regime to coerce them indirectly to join the cooperatives "voluntarily" had no success in the case of the majority of the farmers. These measures were mainly the following ones:

--High, disproportional and unjust taxes in order to make the individual cultivation of farm unprofitable;

--Very low prices for the obligatory deliveries of agricultural and animal products which caused a great discontent among the peasants;

--To make it difficult (for individual peasants) to obtain the necessary tools, fertilizers, and other means;

--Threats with forced labor, prisons, or concentration camps— and the realization of these threats for the smallest, sometimes subconscious and not intended, faults.

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All these more or less theoretical pressures upon the peasants have found

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their echo in the case of few, morally weaker farmers, who agreed to join the coope-
ratives. But the great majority of peasants resolutely decided to cultivate their
old inherited land themselves to the extent left to them by the Communist potentates.
These peasants are today the greatest and the most dangerous enemies of Communism
together with - in spiritual and moral aspect - the Churches.

They are being ridiculed as "kulaks", chicaned and punished by the regime in
all ~~the~~ possible manners.

When they have not enough grain, meat, and other foodstuffs, which they have to
deliver to the state at low prices, they buy these foodstuffs at ten times higher prices
on the black market in other areas in order to fulfil the ordered quotas, which are
disproportionally high, and in order not to be punished. Those who cannot do it, ~~are~~
go into prisons and concentration camps, but not into cooperatives. These peasants
like to suffer hunger if they can work on their native land which they love; ~~to this~~
on the basis of this love will perish the Communism in Yugoslavia.

It is natural that there is sabotage and passive resistance due to such state
of affairs. One of the usual types of sabotage is that ^{on} a certain superficie of land,
for which the peasants receives the corresponding quantity of seed from the people's
committee, not all of this seed is ~~being~~ sown but much less, with the consequence that
that the harvested product is proportionally smaller.

Special quotas are set up for cattle. For each cow, goat, or sheep there is
a special quota of milk which the owner has to give to the state.

The quota for a hen is normally 200 eggs per year. If these animals cannot
produce these quotas they are killed and the meat is given to the state or they are
given to the cooperatives as sterile because these quotas are not required from co-
operatives.

There were and there are many jokes and stories ~~made~~ made up by the enemies
of Communism in regard to these quotas. In certain places - at visible places - dead
hens were seen ~~among which the~~
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following one in the form of a farewell letter, "I hanged myself because I cannot
fulfil the quota." This joke was very successful and spread quickly throughout Yu-
goslavia, naturally through the so-called oral press.

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c) Forestral production

Yugoslavia is rich with forests.

Wood articles represent now one of the strongest items in the Yugoslav export.

Exploitation of woods is very intensive, it cannot reach, however, the one from
before the war, mainly because of the lack of working force.

It has been projected and ordered that charcoal or wood be used for fuel for
motor vehicles -- for at least 30% of all motor vehicles in the country. This mainly
because there is not enough gasoline for motor vehicles.

The measures for the growth of new forests have been undertaken. According to
the Five-Year Plan new forestation of 100,000 hectares and regeneration of the abando-
ned forests of 150,000 hectares have been projected.

The tendency of the regime now is to export finished and half-finished

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wood articles. This is why lumber mills are being erected in forestal areas. Also
other forestal industry is developing quickly. ~~SECRET CONTROL~~
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For details see Annexes I and 12.

V. TRAFFIC

Special attention is given to the development of traffic and to the construction of means of traffic.

In this sector money, material and labor means are not spared. The old pre-war means of communications, which were destroyed during the war, have been reconstructed and the new ones have been built. Strategic reasons prevailed upon the economic reasons -- which were mainly satisfied in the prewar Yugoslavia -- in the construction of the new means of communication.

a) Railroad traffic

Railroads are considered to be the basis of the communication system.

820 km of RR lines were constructed from 1946 to 1949, and 302 km of double lines were reconstructed, not counting mining and industrial lines. The construction of 1,500 km of RR lines is projected by the Five-Year Plan.

19,414,000 metric tons of goods were carried on RRs in 1946, and 46,155,000 tons in 1949; according to the Five-Year Plan 53,200,000 tons should be carried in 1951.

78,443,000 passengers were transported by the RRs in 1946, and 150,549,000 passengers in 1949, while according to the 5-Year Plan 90,000,000 should be transported in 1951.

b) Road traffic

In 1950, 324 ~~km~~ km of modern roads have been constructed, 357 km of stone-paved roads; and 4,062 km of roads were reconstructed, modernized, and repaired.

The first automobile highway in Yugoslavia is called "Brotherhood and Unity,"

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connecting Belgrade and Zagreb, ~~was~~ was opened for traffic on July 29, 1950. The
speeded construction of this first greatest object of the Five Year Plan took 2 $\frac{1}{2}$ years,
and the following participated in the work: 250,000 youth in working brigades from all
parts of the country, 70,000 soldiers, and about 14,500 engineers, technicians, and
specialized workers. The length of the highway is 387 km of concrete-asphalt and small
stone-cube pavement.

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The traffic on this modern highway is very weak and averages a few motor vehicles daily. There are days when no motor vehicle passes for the following reasons:

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--Because the highway is parallel to the strongest RR. of double track,

--Because for heavier and slower transportation there is the river Sava

from Belgrade to Sisak below Zagreb,

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--Because there are no private cars and gasoline and other fuels are limited to the state-owned automobiles,

--Because for quick transportation there is the regular air traffic on the line Belgrade-Zagreb.

In reality this highway was projected as a strategic object in 1946 for motorized and armored units, in the first place those of the USSR, and as a strong supply line for the Communist troops in the case of the projected future conquest of Trieste and Italy, and because of this an extension was projected to Ljubljana and Trieste.

1,706,000 metric tons of goods were transported in public automobile traffic in 1946, and 4,759,000 tons in 1949.

17,679,000 passengers were transported in 1946 in public automobile traffic and 24,201,000 passengers in 1949, while according to the plan 36,150,000 should be transported in 1951.

c) Maritime traffic

Merchant navy was destroyed for the major part during the war 1941-1945.

The merchant navy of the Kingdom of Yugoslavia had 390,000 tons in 1939 with a total strength of 220,000 HP, and 600,000 tons with 400,000 HP are projected for 1951 by the Five-Year Plan.

After the war new ships were made and bought, and a part of the old ships were reconstructed and modernized. A great effort is being made to reach the prewar tonnage and to surpass it.

3,332,000 tons of goods were transported in 1946, and 1,340,000 tons of goods were transported in 1949. According to the Five-Year Plan

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6,200,000 tons should be transported in 1951.

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2,064,000 passengers were transported in 1946, 3,336,000 passengers in 1949,

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while 3,800,000 are supposed to be transported in 1951.

d) River traffic

The river merchant navy of the pre-war Kingdom of Yugoslavia had 10,175 HP of passenger ships, and 55,260 HP of cargo ships.

During the war 87.5% of passenger ships and 73.6% of cargo ships were destroyed.

At the end of 1949 there were in Yugoslavia 3,900 HP of passenger ships, and 30,425 HP of cargo ships. According to the Five-Year

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Plan 5,700 HP of passenger ships and 50,900 of cargo ships were supposed to be in 1951.

The transport of goods in the river traffic was the following: 1939—
2,995,000 tons; 1946—1,155,000 tons; 1949—2,020,000 tons; while according to the
Plan 3,500,000 tons should be carried in 1951.

922,400 passengers were transported in 1946, and 1,753,000 in 1949.

e) Air traffic

Before the war there was the private air transportation company "Aeropot" in Yugoslavia which was partially subsidized by the state. It progressed constantly insofar as the flying personnel, planes, and security of travel were concerned. 12,070 passengers were transported in 1939.

This traffic is now in state hands under the name of "Yugoslav Aero-Transport."
10,000 passengers were transported in 1946, and 33,800 in 1949.

10 airplanes were serving the traffic in 1946 with 9 air lines; the following
has been projected by the Plan for 1951; 48 airplanes, 10 airports, 26 air lines,
8 of which for traffic with other countries.

A total amount of 72.6 billion dinars is projected by the Plan for new investments in traffic and for the purchase of the means of transport.

VI. TRADE

The whole trade is in the hands of the state.

The system of trade, foreign as well as internal, was completely identical to the existing trade systems in USSR and her satellites.

This situation lasted until the end of 1950 when certain minor reforms and changes ^{began to be} ~~were being~~ introduced, in order not to bring the economic life in Yugoslavia to a complete standstill, but nevertheless not to abandon the basic Communist principle of trade. A certain decentralization was carried out in the foreign trade in order

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that single import-export enterprises work more or less independently, however, according to the instructions of the Federal Ministry of Trade and of the directorates for foreign trade existing at the Republican Governments. Until the end of 1950 relations the ~~connections~~ among the enterprises in the country were made through the Plan which killed the initiative and any useful work; now the reciprocal contracts ~~among~~ between producers' and consumers' enterprises can be made, however still always on the basis of the quotas of the state plan,

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by which these enterprises became independent to a certain extent. Otherwise all
the enterprises are mainly ~~state-owned~~ **SECRET CONTROL** belonging to the state, but this year a
small number of enterprises such as hotels, restaurants, handicraft shops, were
given ~~to~~ ^{to} private operations, but always under the state control.

a) Foreign trade

1) Export and import articles in Yugoslavia

Before the World War II, averagely the ~~highest~~ largest Yugoslav export
were the foodstuffs -- especially corn, wheat, and meat products. Lumber pro-
ducts also occupied an important place in the Yugoslav export. Also the export
of copper occupied a very important place. The trade balance of Yugoslavia was
active.

In spite of the biggest efforts the present Yugoslavia could not and cannot
yet reach the prewar export level due to the introduction of the Communist ~~regional~~
economic system.

Relatively speaking the export of wood articles remained behind although
great efforts to increase exploitation were and are being made. A special tendency
now is to further the wood industry in the country in order to increase the export
of finished wood articles because of greater profitability.

The export of foodstuffs went down considerably in comparison to the pre-
war export, and some foodstuffs, as fats, etc., are now being imported. Wheat could
not be exported in 1949 and later, while before the war 193,000 metric tons of wheat
yearly were exported.

Among the industrial plants, ~~tobacco~~ more tobacco is being exported now
than before the war because, due to its profitability, more tobacco is being pro-
duced now and its areas of cultivation have been ~~increased~~ enlarged; this year, however,
there was a bad crop of tobacco, and it will not be possible to export the projected
quantity.

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The export of strategic metals -- lead and copper -- is especially being
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fostered now. The production of lead has been considerably increased and so was its export which amounted to 53,000 tons in 1949. There is a tendency to export also copper in greater and greater quantity because it is very much ~~wanted~~ in demand and more and more expensive on the world markets. 21,000 tons of crude copper have been exported in 1948, while the pre-war Yugoslavia exported an average of 34,500 tons of this copper (yearly).

The most important import articles are: machines, equipment, ships, wool, rubber, coke, and petroleum.

In the state trade of the present regime in Yugoslavia the necessary financial means for purchasing abroad the lacking indispensable commodities can be secured only by the favorable export, and this export is of vital character for the regime. Tito declared in this connection in his speech to the National Assembly on April 27, 1950:

"Therefore, this and the next year /1950 and 1951/ our main task is to execute our export plan and this must be one of the

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principal cares of the Federal and Republican Governments.

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2) Commercial relations of Yugoslavia with USSR and ~~other~~ other Cominform countries.

During the $3\frac{1}{2}$ years the economic help of USSR to Yugoslavia, ~~was not great~~ which lasted until the second half of 1949 when the trade and other economic agreements were interrupted and the economic blockade of Yugoslavia proclaimed, was not great as it is generally thought by the people. This help consisted mainly in the delivery of the military material for about 72 million dollars.

Instead of giving help it could be rather said that the Soviet Union exploited Yugoslavia. After the conclusion of the armistice with Germany in 1945 the Soviet Union began sending to Yugoslavia airplanes, tanks, guns, and other military equipment--mainly of U.S. origin. Yugoslavia was paying for it with minerals and foodstuffs which she was giving to Russia at ten times lower prices than those on world markets. Thus, for example, molybdenum which costs \$5.00 a pound was sold to Russia for 45 cents. The wine which cost \$1.20 liter was given to Russians for 14 cents. Russia on the other side charged ^{for} her shipments the prices which were ~~several times~~ a few times higher than ^{those on the} ~~the~~ world ~~prices~~ ^{markets}.

The trade balance was mainly in ~~favor~~ balance. Yugoslavia imported during that time from USSR, military orders not counted, for 105,426,000 dollars of goods, and exported to USSR 116,954,000 dollars worth of articles.

Economic structures of USSR and Yugoslavia are similar. The exception was this that the Soviet Union exported to Yugoslavia more cotton than it corresponded to her possibility of export, while Yugoslavia was sending (to USSR) more copper and lead than it corresponded to the Yugoslav structure of export.

After the agreement on the investment credit of 135 million, ~~Yugoslav~~ USSR was supposed to ship to Yugoslavia the following equipment for heavy industry: complete metallurgical combine together with the coke factory, equipment for the exploitation and transformation of petroleum, and for the electrolysis of zinc, a factory for sul-

phuric acid, copper and aluminum mill, ~~machinery for molibdenum~~ plant, etc. From all this USSR shipped 800,000 dollars worth of material. The terms for the erection of plants according to this agreement were very long and were mainly unable to secure the investments ~~factor~~ for the first Five-Year Plan.

The economic structure of Yugoslavia was supplemented to the greatest extent with the structure of Czecho-Slovakia, and then with the structure of Hungary and Poland.

With the interruption of the trade and other economic agreements with the Cominform countries, Yugoslavia suffered economic damages not only because the investment orders, ~~were stopped~~ orders for machines, equipment, etc. were stopped but also because, ^{the} as in example of Hungary, also the shipping of those machines was stopped which were already paid for by Yugoslavs.

The Communist Yugoslavia, therefore, had to orient herself in her purchases towards the Western countries in order not to be

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economically suffocated by the Cominform blockade.

For the details about ^{the} trade relations see Annexes 8, 9, and 10.

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3) Trade relations between Yugoslavia and non-Communist countries.

After the economic break with the Cominform countries, the commercial and economic relations of Yugoslavia with the Western and ~~many~~ trans-oceanic countries reached such a degree during 1950 and in this year that it has surpassed what Yugoslavia had with the USSR and the Satellite Cominform countries.

Besides of the manipulative credits in 13 Western countries, Yugoslavia obtained smaller and higher commercial and bank credits, and middle-term and long-term loans.

Already in 1949 Yugoslavia attained the pre-war level in the import and export with USA. It is calculated that the export in 1950 surpassed 1,300,000,000 dinars and that the Yugoslav import was much higher, which was possible ~~to~~ due to the ~~conclusion~~ agreement on necessary loans.

Yugoslavia has been saved from a direct economic breakdown by the economic intervention of Western countries, especially Great Britain and USA.

For details see Annex 5.

b) Internal trade

Tito destroyed ~~any~~ all free trade in Yugoslavia immediately after the taking over the power and organized the trade which was in the hands of the government.

The UNRRS ~~at~~ material / mainly USA assistance/ began to arrive in 1945 after the liberation of the country, amounting totally to 2,539,137 metric tons. These gratuitous goods were sold by the state, in the state stores, to the people at prices which were from 3 to 30 times higher than the material was worth. The people were systematically robbed in this way, and the Communist regime strengthened itself with ~~the~~ this profit feeding and clothing in the first period of Communists — members of its political-military apparatus.

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Immediately afterwards the governmental economic plans and the Communist eco-

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conomic system produced the fall of the U.S. OFFICIALS ONLY

It can be asserted that there was not one enterprise which worked with profit.

With this a justified question could be asked: who pays for the loss? The answer is simple: on one side the people who live in great misery and workers WHO HAVE ABSOLUTELY INSUFFICIENT WAGES, and on the other side, in the later time, the foreign assistance--American in the first place.

The salaries range averagely from 3,000 to 5,000 dinars monthly and are slightly higher than those before the war. These salaries remained steady but the prices to various articles jumped and are jumping many times higher than were the pre-war prices. Today a monthly salary corresponds to the worth of 300 to 500 boxes of matches.

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Because of this, in order to control the workers, 4 types of prices were introduced: prices on free market, fixed prices for rationed articles, prices for the possessors of industrial and agricultural coupons, and prices for foreigners.

The reason for the direct economic sickness, which first manifests itself in the trade, consists in the fact that due to the autarchic efforts and speeded industrialization there are not enough goods on the internal market to satisfy the most urgent needs of the people.

The governing regime had to undertake certain measures to soften somewhat the crisis, which could become catastrophic, promulgating a few decrees which by their form could leave abroad the impression that the present Marxist economic system is gradually being abandoned and that there is a gradual movement towards the Western Capitalist system.

On May 5, 1951 the Yugoslav government issued a decree with which the obligatory delivery of meat, milk, potatoes, beans, wool, and oats among the cattle food, was abolished. The delivery of other foodstuffs continues to be obligatory. The state guaranteed the continuous delivery of bread, lard, sugar, and soap at much lower prices to the consumers who were receiving the "guaranteed ~~food~~ food supplies."

On May 15, 1951 the decree of the Federal Government on the new system of the trade was published -- the system of the sale and the prices of the ~~large~~ ^{at large} consumption, Minister Osman Karabegovic, Chairman of the Council for the Traffic of Goods/ trade/, made a statement about it in which he said among other things:

"In the first place it is necessary to point out that in the present system our traffic of goods is being limited, developed, and directed ~~in~~ by the administrative line in various manners. The consumer cannot buy the goods which he wants and where he wants. The goods are distributed through the administrative line and the

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that
consequence of this is, there is ~~besides~~ absolute lack of certain articles /textiles/ which came about due to the difficulties in the import of raw materials -- also a relative lack of goods which often -- disposed in the cities and districts -- lie unsold at the various ^{stations} ~~stops~~ of the traffic /in the closed stores for the guaranteed food supplies, in the stores for the tied trade, etc./.

The producer ~~of~~ the industrial goods is not enough stimulated in the present system neither as far as better quality is regarded nor as far as diverse assortment and sells is regarded because he produces the bulk of the consumers' goods ~~and~~ at fixed prices and according to the so-called distributive plan. Thus happens that certain goods go there where there are not in demand and often do not go there where consumers want them. Thus the stocks of the so-called non-current goods are created at certain closed stations of the traffic, while elsewhere there is a lack of this material

As far as the traffic with industrial goods, or with the articles of monopoly, is concerned, it is necessary to point out the following: all industrial goods intended for the consumption at large will be put on free market and sold at freely formed prices, and the consumers of guaranteed supplies /with money coupons/ and peasants ^(birds) /with coupons/ will be able to ~~buy~~ buy the goods on free market with discount. The consumers of guaranteed supplies with 80% of discount, and peasants with 65% of discount from the freely formed prices. "

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"All the differences existing until now in R categories are abolished. Cate-

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gorization of consumers is rejoined mainly in 3 basic categories R, D, and G.

Besides of other things, this system makes it possible for us to create personal interest of the worker for the trade, to free the net of distributorism which was conditioned until now by fixed prices and the plan of distribution, it makes it possible that the commerce follows with more attention the wishes and the taste of the consumers in order that it becomes the living connection of production and consumption. And this means that the reward^{ing} in proportion to the traffic or supplying carried out - only in addition to the part of the fixed salary - becomes the economic stimulus for the progress and better carrying out of the traffic of goods in every enterprise and in every store ^{which} ~~which~~ was not the case until now. This will make the trade more expedite, more cultural, etc. It will free itself of the too large and unnecessary number of people, who will be needed ^(the trade) ~~in~~ other branches of economy, of unprofitable operations and of any primitivity.

This should lead in the near future to such a relationship in the exchange of goods - or in the delivery to the state of grain, lard, and other articles needed for food - that the toiling peasant would not feel it as a burden but as the only profitable business for him and as a normal way of exchanging goods or as the possibility to purchase the necessary quantity of the industrial goods. This would at the same time refuse all those consequences which today's obligatory delivery produces in agricultural production and would make it possible for the state to retain in for obligatory delivery a smaller and smaller number of articles."

There is no need for a better comment to such statement about the present unsuccessful commercial experiment in connection with other economic factors.

For the important export articles see Annex 7.

VII. FINANCES

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Communist Yugoslavia undergoes a financial crisis which may lead to catastrophe

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if the necessary and efficient measures will not be undertaken.

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a) Yearly budgets

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Communist budgets are colorless and the most interesting in them is that which is not seen at the first moment. These budgets are only a mask and a sort of curtain behind which the highest Communist chiefs, according to Tito's instructions, use and dispose the mentioned credits according to their will. Therefore it is not possible to know if the budgetary entries, either under income or under expenses, have been really used for what it has been projected or stated.

Communist budget can never be considered as an expression and a mirror of the real economic situation of the country.

The budget for the budget year 1951-1952 anticipates:

--Income in the amount of 172,662,000⁰⁰⁰ dinars, and

--Expenditures in the amount of 172,662,000⁰⁰⁰ dinars.

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Dobrivoje Radosavljević, Minister of Finance in the Federal Government, declared in connection with this budget ~~revision~~ during the "debate" in the National Assembly the following:

"The plan of production anticipates an increase in production for 8% over the last year's production. The increase is related to the basic branches of the production: the construction of ~~the~~ power and metallurgical plants, the construction of machines, military industry, transport, and transforming industry."

Minister Radosavljević stated the following about the taxation:

"The income from inhabitants ~~represents~~ amounts to 15,110,000,000 dinars in the budget proposal or to 65.1% ~~of~~ according to realization, mainly due to the fact that the income tax on workers and employees was abolished in 1950 and because the transition to the net salary has been made. As far as the taxation of agriculturists is concerned, it remains mainly on the same level as in 1950."

b) Investments

A total of 278,300,000,000 dinars of investments are foreseen by the Five Year Plan.

142,057,000,000 dinars of investments or 51.1% have been carried out from 1947 to 1949, without military investments. The plan of investments for 1950 amounted to 87,536,000,000 dinars.

According to the 5-Year Plan the total investments of 55,000,000,000 ^{dinars} are foreseen for the building of the objects of human standard. From this amount, 36,295,000,000 dinars or 66% of the total plan have been invested during the first three years /1947-1949/.

21,527,000,000 dinars or 58% of the amount foreseen by the 5-Year Plan for this purpose have been invested until April 1950 for the reconstruction and construction of apartment buildings and communal buildings. Mainly the reconstruction of the apartment buildings, destroyed during the war, has been carried out and about 60,000 new apartments ~~have been built in the cities and mines~~. ~~Approved For Release 2002/01/04 : CIA-RDP83-00415R010100150003-9~~

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from satisfying the needs for apartment buildings of which a great lack is felt - especially in ^{the} cities.

8,411,000,000 dinars or 96% of the amount anticipated by the 5-Year Plan ~~were invested~~ ⁱⁿ have been invested ~~for~~ the construction of objects for culture and education until April 1950.

There are no data available about the investments in the military industry. They have been especially increased since 1948 when USSR stopped arming Yugoslavia. Some of the military industrial enterprises worked totally or partially for the needs of economy because their capacity was not fully utilized, mainly due to the lack of raw materials.

In the last time larger investment projects have been given up, as e.g.: Danube-Tisa-Danube Canal, the construction of "New Belgrade", because there are no material means and other possibilities available. This has been postponed for the later time. Communist regime does not understand yet that these grandiose investments, which are not productive and the aim of which is megalomaniacal propaganda, are one of the reasons ^{for} ~~of~~ the economic crisis.

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c) Loans

Two internal loans were floated in Yugoslavia:

1948--at the rate of interest of 10% /4%--premium/ with the result of over 4 billion dinars, and in

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1950--at the interest of 8% /3%--premium/ with the result of over 5½ billion dinars.

These internal loans had no particular importance for ^{the} state finances and their main reason was that of propaganda.

Foreign loans, however, and credits, and especially financial assistance, are of vital importance for Yugoslav finances.

When Tito ~~he~~ understood that he would not be able to come to terms with Cominform, in spite of all ^{his} previous efforts, he began to ~~demand assistance from~~ turn to the West -- especially to Great Britain and USA -- for assistance and credits in view of the loans. He was successful. His special success consists in this that he gave conditions to the West that, for gratuitous financial assistance and for extraordinarily favorable loans, he would not be asked for any political conditions by the West, in which the British policy, secretly and publicly, helped him most efficiently.

Nevertheless, in the beginning of 1951, the Yugoslav trade deficit amounted to around \$ 75 million.

On October 12, 1951 it ~~was~~ ^{officially} announced that the International Bank in Washington approved a loan of \$ 28 million to Yugoslavia. This loan will be amortized in 25 years beginning with April 1954 and will serve for the purchase of machinery and the material for railroad and river installations. This is the first part of a long-term loan, as it was announced, but its total amount is not yet known; it will serve, however, to finance the Yugoslav industry.

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It can be concluded that under the present circumstances the financial situation cannot ~~be~~ be repaired by itself and its breakdown is ~~unavoidable~~ unavoidable ~~if~~ unless Yugoslavia is constantly assisted by U.S.

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F. SAVING

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Insufficient saving and the dissipation in the Communist-Socialist economy ~~and ^{housekeeping} ~~and~~~~ is one of its negative characteristics and consequences.

Tito in his statement of April 27, 1950 to the newly elected National Assembly used many words in order to point out the importance and the need for saving in the state economy and generally. He severely criticised the system of the state house-keeping until then because of which the state ~~has~~ lost and is losing many billions of dinars. He mainly mentioned the following causes for such ~~non-saving~~ status of non-saving: insufficient sense for saving, insufficient experience, bad organization of labor, non-planned utilization of labor force, insufficient bookkeeping, bureaucratism, insufficient Socialist

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consciousness, etc.

The following excerpts from the Tiao's speech are characteristic:

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"Until present days there were permanent complaints coming from various sides that there is a lack of labor force and that the plans for the labor force are too low ^{with the consequence} ~~in order~~ that the impression is that we shall not be able to find workers and employees for the new factories which are being put in motion every day. But ~~it~~ it isn't just so. Because of this the government had to appoint commissions which began to investigate the utilization of the labor force in the enterprises and factories and it has been found out that in many factories and enterprises the utilization of the labor force is not carried out according to the plan. Many directors were keeping and hiding a larger number of labor force -- ~~what~~ ^{what} was not foreseen by the ~~plan~~ plan and ~~what~~ ^{what} was not necessary -- in order to secure themselves in such manner from fluctuation, sickness, and similar things. This piling of the too high number of workers, needed for the normal process of work, or production, enormously increased production costs and at the same time the ^{guaranteed} ~~guaranteed~~ supplies were over-used. In the major ~~part~~ ^{ity} of factories and enterprises the working places were not organized systematically at all. In one word, some factories really lacked the labor force, but others had a surplus of workers and employees who are now being distributed there where the labor force is insufficient. Commission investigations showed ~~that~~ that in various factories and institutions there were 100,000 workers and employees too many."

.....

"It is not a rare case that various administrations of enterprises ~~retain~~ keep more raw materials and other means than it is necessary from the point of view of economic calculation and profitability. ^{While} ~~While~~ on the other side there is a lack of these means. Because of bad bookkeeping ^{it} ~~it~~ often happens that in many warehouses the material which is worth one billion dinars and more lies there for a long time while on the other side such material lacks in consumption. Such was, for example, the case with footwear, 500,000 pairs of which were found short time ago in the

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warehouses, and these days iron goods worth about 100 million were found in an enterprise. There are similar cases with textile and other goods."

.....
" I shall give you only one example of many, for the illustration, characteristic of this carelessness about the material. ^{the} Control Commission found out in an enterprise that coke, which we import from abroad for dollars, was unloaded and left in pile, and later other material was unloaded over it which covered it. Only a few months later, when that other material was ~~taken away~~ lifted, the coke was found underneath."

.....
" In connection with saving and dissipation I should like to say ~~only~~ a few more words about careless and often heartless relation towards machines and mechanization in general. Non-saving and waste come to expression to a lesser ^{proportion here} ~~extent~~, indeed, but they are very extensive. It is often possible to see ^{various} industrial and agricultural machines and tools lie in rain and snow exposed to rust and perishing, while we lack them and make great efforts in order to obtain foreign currency in order to import them or to produce them ourselves. Further, transportation means, trucks and automobiles and fuel, are wasted much and unnecessarily. One can see every day a considerable number of empty trucks and automobiles running somewhere; I ~~am~~ am convinced that most often they ~~are~~ travel ~~without~~ (go) without need whatsoever, especially automobiles. People who act in such ^a way have ~~no~~ sense neither for saving

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fuel nor for preservation of vehicles, which costs us so much. Very often the automobile is used for the shortest distances although such distance could be ~~made~~ very easily made on foot also by those who have right to the vehicle because of their official duty."

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.....
"And one more example of non-saving. ~~U.S.~~ Electric power, as it is known, is very necessary to us for the industrialization, and we still lack it to a large extent, nevertheless you can often see throughout our country that the ^{rooms} (premises) remain illuminated by a large number of bulbs without any need. And not only this, but we can see the bulbs burning on the streets also during the daytime, without need whatsoever."

.....
"Thousands of such and similar examples of non-saving could be counted. All which I have mentioned above as non-saving and dissipation is of purely subjective character and we have to fight against it and undertake the most energetic measures. Naturally there are also many objective reasons for the impossibility of saving, but they are disproportionately fewer."

.....
"The present measures to prevent this did not give results because of which the severest measures will have to be taken in the future."

It would be more correct and just if Tito would have looked for the real causes of non-saving and waste in the Communist system, which is headed by him, rather than to have criticised the consequences of such situation, throwing the faults for it on ~~people~~ persons who are only the executors and the selected functionaries of this regime.

Man saves his property which he loves, guards, and tends to increase constantly.

However, man cannot save and guard foreign or state property as his own — especially if he does not like it and hates it.

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This is in the man's nature and all the coercive and severe measures of the politico-juridical system cannot change this inborn characteristic of his and they can attain and produce negative results only.

I. INTRODUCTION

Industry and Capitalism, the factors of the contemporary economic life, created the present working class, which gives a new view to the social problem.

The vindications of workers, in connection with the conditions of modern life, exist and must be treated and satisfied as a factor of social life, because their unsatisfaction caused, is causing, and will cause pernicious consequences.

Tragical weakness of contemporary states, especially of the European ones, was and is that they fail to solve the social problem which at the same time is economic, politico-juridical, and moral-intellectual /spiritual/. This came about in the first place because of misunderstanding of the real aspirations of the proletariat. The solution of this social problem according to the ~~selection~~ principles of Marx has already been undertaken ~~by~~ practically by the Communist states, and by their Communist and Socialist parties in the free Capitalist countries theoretically and propagandistically. These Marxist parties, putting themselves on the top and making themselves leaders of the proletariat, are pretending to be solving most rightly all the workers' problems and to be organizing the social life.

These Marxist state and party organizations, giving to this social problem an almost exclusively economic character and exploiting the proletariat as an instrument for giving a negative impulse to the social movement, have created an even greater social confusion in single states and in the whole humanity of today.

Because the contemporary events are discovering great illnesses in the social organisms of all the nations and not the superficial unrests as it appears to many.

This created social crisis exists now in the world with the following first consequences:

- a) Discontent of workers in general.
- b) Incapacity of the now existing ~~socialist~~ state institutions to solve correctly the burning problems of the social life in their root.
- c) The conviction of the clearly minded statesmen and people of the good will that something has to be done in order ^{to} check the catastrophic fall of humanity, if necessary even by changing the present politico-juridical and other public institutions, the maintaining of

which at all costs should not be the aim if they cannot usefully carry out their tasks in the newly created contemporary circumstances.

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* The main ideas of this part are taken from the works of Dr. Rudolf Stajner (Steiner ?) -- the founder of the antroposophy. / DORNACH, SWITZERLAND)

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II. THE DISCONTENT OF WORKERS

The discontent of the contemporary workers was mainly produced by ~~two~~ ^{these} factors:

- Socialist economic doctrine ~~together~~ ^{U.S. OFFICIALS ONLY} with the materialistic outlook on life;
- The contemporary opinion that the labor of workers is a good which is paid for as any other consumers' good; and
- Exploitation of workers by the contemporary Capitalism.

a) Socialist economic doctrine

The following slogans were thrown among the working masses:

"The proletariat is becoming class conscious."

"Bourgeois classes are exploiting the working class."

"Proletarians of all the countries unite."

The propagandized "class consciousness" of workers is cultivated according to the so-called "scientific ideas and thoughts" of the materialistic doctrine. Materialistic outlook on life, its influence on economic life, and its reaction on the destiny of people already established a deep root in the souls of workers.

In the new era, the scientific thinking separated itself from the religious thinking. Religions were kept on the side, and were becoming isolated in a certain direction where the soul of the proletarian could not penetrate. The old ruling classes mainly retained the old way of believing.

The modern proletarian, however, drawn out of the old cadres of society, began to build up its own thinking and emotional life under the influence of the atheistic materialistic doctrine which was being given to him as manna because he was eager for knowledge. Educated in such ideas, the worker ~~fatally~~ is fatally subjecting all his feelings and activities to the materialistic economic doctrine, which to him became a religion, and which he otherwise does not understand sufficiently.

The worker-proletarian is persuading himself about the non-reality of the spiritual life and this is increasing his internal ~~and~~ ^{indisposition}. Not knowing it, the ~~emptiness~~ emptiness of the worker's soul causes spiritual pains which surpass in their seriousness all the accusations, justified however, provoked by his material ~~position~~ position in an

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egoistic society. Therefore, considering ~~an~~ ideology not only Knowledge but also Science, Religion, Morality, and Right (Law), the atheistic worker looks for salvation in something real for him, and this is the Marxist Socialist economic doctrine, only which, according to his opinion, can secure for him a satisfactory existence and feeling of his human dignity.

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The strength of the proletarian movement is not to be found, basically, in the material vindications about which so much is being spoken but especially in thoughts (ideas). More than any other movement in the world, the proletarian movement was born in the domain of thoughts. A construction of Marx's ideas was able to produce terrific impulses in the ~~the~~ mass of workers.

Today the proletarian believes that he has understood a basic force of his being when he talks about his class consciousness. But in reality, since he was drawn into the economic current of Capitalism, he is really looking for a

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spiritual life which would sustain him and give him the consciousness of his human dignity. Meanwhile his class consciousness, created by the economic ~~problem~~, is his great aberration which cannot give him this spiritual contentment.

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The worker / Socialist or Communist / is hypnotized by the economic problem and now he does not believe any more that he can find the lacking elucidations on the social problems at some other place. He simply believes that from the evolution of the economic factors, (which are) without soul and spirit, such state of affairs will result ~~for~~ which his feeling of dignity is longing for. He is convinced that the economic reform will abolish all injustice caused by ~~the~~ private enterprises, by egoism of contractors and by work-givers, because it is impossible ~~for~~ them to satisfy the worker's care for dignity.

In such a way the proletarian reaches the understanding of his liberation from the "Capitalist chains" in the form of the transformations of any private ownership of the means of production into a collective exploitation or even into a collective ownership. The contemporary worker, who is educated in the Marxist doctrine, believes in materialistic economic progress from which new rights for the people and new juridical system will come. He therefore struggles for these rights.

b) Does the man's labor have to be treated as merchandise?

The economic regime of Capital mainly knows in his domain about the merchandise (goods) and about the worth of these goods. In the present Capitalist system also the labor force acquired the character of merchandise. In the eyes of worker, however, his Work should not be and could not be merchandise.

The worker feels in his instinct and in his subconsciousness the ~~adversity~~ disgust for seeing his labor force sold to the master as a slave on the market. His disgust to see his energy exposed to the current of supply and demand, i.e. to see how the labor force is being thrown on the market, will be understandable.

This is the second important impulse ~~after~~ of the destructive social movement after the first impulse which is the aberration of the worker about the non-reality of the spiritual life.

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The old age had its slaves. Then the whole man was ~~not~~ being sold. In the feudal era the economic service to the feudal lord, not the whole human

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being but a part of this being nevertheless. Capitalism is the force which still now imposes commercial character upon ~~a part of the labor force~~ being -- upon his labor force.

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Today every man, who is interested in social problems, feels, consciously or subconsciously, the great importance of the factor of labor force. He grasps that the labor force acts in the contemporary social life with all its weight. However, the majority of people consider it usually only from the economic point of view and believe that the economic life will know how to create conditions on the basis of which work will be liberated from its present humiliating character of commercial value.

However, economic activity necessarily gives to all that which it includes a commercial value, because it consists of production and circulation of goods. It is impossible, therefore, to take the commercial character away from the labor force, if the means to tear it ~~x~~ out OF THE ECONOMIC CURRENT is not found, i.e. if the Work is not liberated from the economic mechanism,

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or rather if the Work is left under the influence of forces which give it the character of commercial value.

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The proletarian is longing for an economic regime where his productivity has a legitimate position. He forms this wish not noticing that the humiliating of this productivity is caused just by the influences which economic needs have upon it. By giving his energy to these needs ~~the~~ the worker becomes completely absorbed by them. And as far as the economic process is concerned, its character itself induces it to exploit the manual labor of the worker, in the same way as it exploits raw materials, i.e. for the maximum benefit of the enterprise.

In this manner the means to free the Work from its commercial character will never be found.

Socialism and Communism will not be able either to solve in a satisfactory manner the essence of this problem of work, in spite of the fact that now they ~~have given it~~ ^{have given it} for ~~moral~~ moral and political reasons, the fictitious and propagandistic formula that in the Socialist society the Work is not in the service of the hated Capitalist but in the service of the state.

c) "Exploitation" of workers by Capitalism.

When one speaks about Capital and Capitalism, the proletarian humanity sees in it the causes for its oppression.

"Exploitation of man by man in the Capitalist state" has become a very spread slogan among the workers. The question has been moved what to do in order to make cease the oppression of workers by Capitalists in the non-Communist /non-Socialist/ states. The logical answer to this wrongly posed premise was to abolish Capital and that all the means of production ~~had~~ to pass from private ownership into collective state ownership.

For such socialization it is necessary, according to the Communist theory, to overthrow the existing democratic regime of majority ^{by force and revolution} with the previously well organized minority, the democratic regime ^{which} stands on the principles of private property and freedom of ~~the~~ Capital, and to ~~introduce~~ set up the Communist regime with the aim "to free the working people from Capitalism."

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Thus the proletariat is preparing itself to act publicly, and recklessly for the revolutionary movements which it considers necessary and just for "good and salvation of humanity."

d) Conclusion in connection with the discontent of workers.

The proletarian, who is ideologically educated in the atheistic materialistic doctrine, who is emotionally inspired by the hate for Capitalist and for his state if it is not a Socialist, i.e. a Communist one, is thus ready for any negative work and for the revolutionary activity against his own state.

Thusly animalized Communists, in whom all love towards their fellow-men has been killed, are now becoming, in all the countries, a strong instrument of USSR for the world conquest. Yugoslav

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Communists are much more cruel than Russian Communists in the carrying out of Communism and terror which they proved during the revolution and when they took power. They are even publicly boasting about it saying that as Communists they are more pure and more orthodox than other Communists in the world. Such Communist fighters are being systematically prepared also in other ~~states~~ countries.

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With such cadre of fanatics in all the countries, for the use as fifth column, and utilizing the discontent of workers and indolence of other mass of the people, the leaders of international Communism hope to defeat world democracy, or "Capitalism" as they call it, in a quick massacre or world revolution which they are feverishly preparing, if they will be given enough time for material and moral preparations.

III. INABILITY OF THE PRESENT STATE INSTITUTIONS TO SOLVE SOCIAL PROBLEMS IN THEIR ROOTS

From the very beginning of the organized human society or the state this had three functions:

- Judicial or spiritual-intellectual or moral.
- Politico-juridical.
- Economic.

These three functions of the social life had specific roles and various manifestations according to the occasions and needs in various historical times, and each one had a certain prevalence upon other two which were even suffocated when unhealthy social relations appeared.

In 18th, 19th and in the very beginning of the 20th century the politico-juridical role was prevailing in the states, which was giving to the states almost an exclusive politico-juridical character.

In newer times democratic states were forced to intervene also in economic problems and their economic functions is manifesting itself more and more on the side of the politico-juridical. And in the Communist states the economic functions together with the appropriated Marxist economic doctrine receives an explicit preponderance ~~in order~~ ^{with the consequence} that the politico-juridical state serves only as an instrument of economic policy. It could be even said that the whole state has been transformed into an enormous economic enterprise ~~in order~~ ^{with the consequence} that the

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politico-juridical and the judicial functions are in the service of the economic state.

People ~~believe~~ see the state organism today to be uniform and they believe that in such unity of the state structure lies the survival of the state itself and the assurance of its progress. When in the new times the economic problems appeared then appeared also ~~x~~ the tendency among the ruling bourgeois classes of democratic states -- especially in Europe -- that the state should be given monopoly in certain branches of economy /Mails, Railroads, etc./; this was introduced into reality (life) with the consequence that the politico-juridical state began to operate those economic branches.

Certain thinkers, especially Communist and Socialist theoreticians, deducted from this a - for them - logical conclusion that the socialization of all the means of production should be carried out

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under politico-juridical state which has been created by in the Communist countries.

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It is characteristic in this that the bourgeois states themselves are in a certain sense the forerunners of socialization in the negative way because they put certain branches of economy under the tutorship and the exploitation of the politico-juridical state which was mistaken and fatal: so much more because the branches became unprofitable under the state economy.

Inability of democratic states to solve the appeared economic problems efficiently, in relations with the created labor problem and the Marxist economic doctrine, caused, first in Europe and then in Asia, reactions: to the right towards Fascism and Nazism, and towards the left towards Communism. These reactions which are based on force created and are creating even a greater confusion and chaos in the social body of the state with the increased centralization of power and jurisdiction of the politico-juridical state re: economic problems.

In reality, the natural evolution tends to the opposite: to the autonomy of the economic life and to politico-juridical state able to introduce harmonious regulations in its economy.

Politico-juridical life makes today, especially in the Communist states, bad influence on the economic life, by which the health of the social organism is being mined, when the politico-juridical state itself administers industrial branches and issues economic laws.

If the people transfer their economic interests to Law and its politico-juridical organization, then this Law is the expression of economic interests. If the juridical state conducts the trade then it loses specialty and capacity to regularize the juridical life of people, because its measures and institutions will have to develop according to the commercial interests and will have to drive away from the suggestions of juridical order.

The three different branches of life cannot be centralised without damage and in a skillful manner in a theoretical and abstract unity of one parliament as this is today mainly regulated. The unity of the social body, as the result, can originate only from the fruitful activities of the three roles of the state which collaborate collectively and in a parallel manner. These independent branches cannot be centralised without hurting each other.

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Our era falsely believes that all the measures proper for the betterment of the life of the people will originate from political state or from economic life. If this present way will be continued instead of realization of the wishes of humanity its evils will become worse to the unlimited proportions.

Absolutely nothing exists in the cycle of the economic life, by itself, which can create the impulse necessary for the regulation of the relations of justice among the people. And if these relations are regulated by economic interests, as ~~it is now~~ they are now in the Communist states, man with his work and means of work puts himself under the yoke of the economic life and becomes its slave.

Whatever social class is in power, it will not be able to overcome the present evils, which in some places already came out and which in some places stand at the embarkation point, of the motives for its actions do not originate from the regenerated social ideas. Here the spiritual-intellectual function of life must intervene which has to be based on moral and religious moving forces, which have to be felt in the everyday life. Because the life is the synthesis of the spiritual-intellectual,

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politico-juridical, and economic interests, the need and the manifestation of humans in the state community.

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Therefore the social problem consists of three special problems, which should be solved, and these are:

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The first one regards a normal form of spiritual life;

The second one tries to establish a balanced juridical relationship between the work of the human beings and the collective life;

The third one studies the economic activities within the frame of this life.

It can be concluded that the today's chaotic disorientations of people and the incapability of the state to solve favorably the social problems have been created mainly because it has been thought and wished that ~~with~~ ^{by} the centralistic institutions of the politico-juridical ~~state~~ organization of the state also the other two different functions, economic and spiritual-intellectual, be administered.

IV. A PROPOSAL FOR THE REORGANIZATION OF THE SOCIETY AND THE STATE

Economic life, ~~is~~ maintained by ~~industry~~ industry and fused with Capitalism, forced upon the contemporary society a certain internal order which rules over this society.

The attention of the people is so much concentrated ^{at} ~~in~~ the results obtained by technical means and the Capital, that it has moved away from other social domains.

Therefore, today there is much talk about the socialization as an indispensable thing of the modern era.

Such socialization will not bring about any healing or recovery from the illnesses of the state and national organisms. It will even not be a palliative measure, but it will be a destructive process until statesmen and the majority of nations do understand, at least in main lines, that it is necessary to divide the body of the state into three organisms which ~~will~~ shall collaborate harmoniously.

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Dr. Rudolf Stajner (Steiner ?), the creator of Anthroposophy, proposes a triple organization of the social life in the state. In the state there should be three autonomous organisms with their separate democratic legislative and administrative insti-

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tutions, which will collaborate reciprocally:

a) Economic,

b) Politico-juridical, and

c) Spiritual-intellectual organism.

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Economic life should form in the social body an independent organism with a relative autonomy the jurisdiction of which is: production, exchange, and consumption of goods, which the man satisfies with the production of nature and his own work.

Politico-juridical life should be limited ~~to~~ purely to human interests which are tying man to man, or human groups and ~~higher~~ higher communities /states/ with other human groups and higher communities /states/.

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The domain of the spiritual-intellectual life, the natural capabilities of men, either ~~shows the~~ characteristics and qualities of the spirit or of the physical body. It would decide about the contribution of the human personality to the social body.

Collective life of human beings, therefore, is normally founded upon these three systems of organisms.

Thanks to industry and Capitalism, the economic life became very strong and is developing so quickly that it began to absorb the other two systems of life, which were not able to develop so much and in the parallel manner.

The independent politico-juridical life of the state, parallel to the economic life, is therefore absolutely necessary in the well constructed juridical society.

In the autonomous economic organism the most favorable institutions for production and exchange will develop by themselves. On the other side, at the same time, the corresponding institutions will be born in the politico-juridical domain in order to conduct the reciprocal relations between individuals and groups of individuals, having the ^{Right} ~~Law~~ for its basis.

Politico-juridical state organization will have one legislative and one administrative body on the basis of the present democratic principles, as this is mainly the case among the free Western Democracies, while in the economic domain special legislative and administrative organs would be created.

Thanks to the radical separation of these two domains, the economic life will not exercise a bad influence upon the juridical life and viceversa, as it is going on now.

With the complete separation of economic and politico-juridical organization, in each of these two organizations the best system for the election of their legislators and administrators would appear (by itself).

In all the contributions of the Economy and Law in the organized society also the following third factor appears: individual abilities of each human being, which in everyday's practice are called the "initiative".

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This domain includes the highest spiritual products as well as all human achievements originating from physical abilities, more or less good, given to society for utilization.

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In a healthy society all these achievements must have a completely different current which differs considerably from the ~~function of the economic and just~~ politico-juridical character. The only way to ~~give~~ get useful products by this contribution is to entrust it to free evaluations and impulses which originate from individual abilities.

If the economic or politico-juridical life skillfully influences the spiritual products, as it is the case now in the Communist states and in a milder form in some non-Communist dictatorships, it makes even their basic development, ~~impossible~~ which consists in the free flourishing of their individual forces, impossible. Besides, if these products are taken under the direct control of Economy and Juridical State they lose their spontaneous character of fruitful interest in society. There is only one means for the correct evolution of spiritual activity, and this is the administration according to its own creative IMPULSES and the establishment of the perfect relations of understanding with those who RECEIVE ITS SERVICES.

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The life of the spirit must develop freely and this can be carried out in practice only if the representatives of the intellectual life have their own legislative and administrative organs. Sciences, philosophy and other spiritual knowledge ask for their own independent place in the human society. Because in the intellectual domain everything is so reciprocally connected that the freedom of one of its elements cannot be used without the freedom of others.

Religious life of the new humanity will unite its forces with the forces of all other liberated spiritual-intellectual branches in order that a strong force, which will uplift human souls, may be created.

Professors, artists, and other spiritual-intellectual workers will be in direct contact with the legislative and administrative organization of the spiritual-intellectual domain and they will have every possibility to develop among the people the necessary interest for their works.

Politico-juridical state and economic organism will receive from this third spiritual-intellectual ~~domain~~ autonomous organism the influence of spiritual life which they need.

The worker will no longer remain outside of any intellectuality, having until now only one confused idea about the role of his work in the human society. Only then he will understand that the Social Body can uphold him only if the organization of the manual labor is directed by impulses which originate in the spiritual-intellectual organism: then he will grasp the reciprocal responsibility by which ~~it~~ his work is tied and organizational forces which originate in the individual abilities. On the politico-juridical and economic terrain, the worker will ~~exercise~~ ^{exercise} his rights which will assure him also the corresponding part of the profit of the produced goods; but for this he will give the part of his abilities (which is) necessary for his existence freely to the spiritual-intellectual domain by which he also benefits.

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The triple social organization of the state is becoming a need of the present times and the evolution of humanity proceeds unavoidably towards this new organization. This also corresponds to the triple ~~organ~~ structure of the human being: to physical body, to

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soul~~x~~ and to spirit /to will, emotion, and thought/. Therefore man will be able to satisfy much better and much ~~more~~ more easily also the needs of physical body, soul, and spirit in the suitable insitutions of thusly organized society and state.

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Earlier, before the appearance of the negative Socialist-Communist ideas, the need for the organizational separation of the three mentioned functions of state was not felt so much because the great majority of people was still led by the healthy force of the social instinct which was able to unite into one single current all human activities originating from the three different sources. Many people do not see that man already maintains social relations, in the outward manifestations of life, with each one of the~~x~~ three still undeveloped branches, which can be usefully developed if these branches are organized autonomously.

Although it is utopian to think that the public life of the state can change quickly, the the nevertheless, ~~reform~~ and reorganization, at least gradual, present themselves as the most efficient means for the solution of the social crisis which is appearing and which ~~is~~ is in some places already producing the destructive results.

One could begin, for example, in the first step with the separation

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of Ministries into three autonomous groups.

of

-- The economic sector would be formed by economic Ministries: finances, industry, agriculture, communications, mining, and others;

--The politico-juridical sector would be formed by the following Ministries: of foreign affairs, Army, Navy, Air, internal affairs, and police;

-- The spiritual-intellectual sector would have the following ministries: of justice, education, religion, arts, propaganda, and other spiritual-intellectual institutions.

V. REGENERATED IDEAS IN THE NEW SOCIAL LIFE

After the reform will be carried out the regenerated ideas will flourish in all the domains of the new Social Life in Freedom, Equality, and Brotherhood for all men and nations.

These regenerated ideas -- based upon Christian Love and Justice --will bring salutary fruits for the whole humanity.

The exposition of the facts which would appear as natural and very favorable consequences of the triple social organization would take us far. We shall limit ourselves here to the most important problems of Economic Life -- especially to the capital and private property, labor, and the new economic doctrine.

a) Capital and private property

The people began to turn their attention to the capital when this one ~~created~~ created unhealthy derangements in the society. The people suffer because of these derangements. They already understand that these derangements must be overcome in order to make the Socialist-Communist slogan "Exploitation of man by man in Capitalism" impossible also in the smallest ~~society~~ form.

A great mistrust has ~~become~~ ^{gun} to reign in the present time also in regard to the private property, under the influence of the Socialist-Communist teaching. Many people would want to change it radically into the ~~socialist~~ ^{socialist} property. ~~But~~ Not the natural impulses, which make the private ~~property~~ ownership of the means of production dear (liked), should be taken into consideration in the first place in solving this problem, but the factor:

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what favors more the production and the life of social organism, free enterprise
or collective administration of the means of production.

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The request of the contemporary Socialism that the present methods of Capitalism, in which the aim of the production is the profit of the individual, should be changed for other methods which would serve consumers is justified. The conclusion, however, which they -- the theoreticians of Socialism -- are drawing from this, i.e. that the Capital and the means of production must pass from private ownership into state ownership, is not correct but harmful for the production itself. The correct conclusion would be: whatever originates from private individual production must normally be directed to the human collectivity (collectivity of the people). And this so much more because also the economic tendency of the new times is oriented towards the mass production, in order that great profits may be obtained, favorizing the present form of Capitalism.

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Private ownership of the means of production and private capital, which favorize production much more and better, should not be and must not be abolished in a healthy social life. To deprive the man of the free disposition of these means would mean to paralyze spontaneous capacity of an acquired ability to the damage of social life. Because private property, based on individual abilities and initiatives, always was the expression of the most useful social activity.

Individual abilities must freely uphold themselves on the capital; the right of property, which is tied in with this, must be transferred to the other in the instant when it would become the instrument of the unjustified power.

Today this is only ~~the case~~ partially the case in connection with intellectual abilities: this is the author's right (copyright). A certain time after the death of the author the right of property passes to the human community. With this a principal idea of the collectivity of life is expressed. Although this intellectual production depends from an individual's gift, this good is at the same time also the good of collective life, and it has to be returned to it at a certain moment.

Isn't it the same in the case of other abilities? The person who produces for the benefit of all succeeds in it only with the help of the human community. A right cannot be exercised outside of the interests of community. We are concerned with ~~finding~~ ^{looking for} a means, and not with abolishment of ~~any~~ ^{all} ownership of capital, by which to administer this ownership in the best interest of community.

The correct administration will care that a production enterprise remains in the hands of one person or a group of people only until this is justified by their individual abilities. The means of production, instead of being owned by the state collective, will circulate according to necessity, going into the hands of new persons whose abilities will be able to offer the greatest services to the community.

Director /owner/ of the enterprise and his assistants/associates/ will receive, according to these means of production, an income (which will be) proportional to their rights. They will tend permanently to increase production to the highest degree. Although this increase does not bring them the total profit /which goes mainly to the community of

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workers/, they will nevertheless be allotted a percentage of profit in proportion to such increase. Otherwise, it is clear, that if the production is falling, the income of the producer /owner--director/ is becoming proportionally smaller. His income, however, originates in every case in his intellectual-organizational abilities and work, and not in the profit which, not taking in consideration this intellectual work, would originate from the work given in by other people in the enterprise.

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It is not the freedom of the disposition of the capital which is able to cause social damages by itself, but ^{it is because of} the stubbornness of the present regime that this disposition takes place also when the individual abilities, which were justifying this ownership, do not exist any more.

While the individual or the group continues to create or to justify the use of the capital, he has to be given the right to dispose also with the higher profits under the condition that this increased capital serves for the enlargement of his enterprise. As soon as this individual ceases to further it, the capital has to pass to another individual or another group ~~which~~ will exploit it in a similar or in another enterprise (which is) useful to the service of society.

If an administrator cannot or does not want to take care of his enterprise, the initial capital with all the obligations passes to the new administrator, or it is returned to the possessor /owner/ if such is his wish.

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b) ~~XXXX~~ Labor

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The labor is what becomes united with the world of raw materials offered by the nature and with the capital in order to create economic values and to give worker the consciousness about his social role.

The worker has to take a position which corresponds to his feeling of human dignity. This is possible only if the double relationship of his labor is taken into consideration: the development of his

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individual abilities and the feeling of right. **SECRET CONTROL**

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The problem of labor cannot find its proper place among the social problems unless it is accepted that Production, Exchange, and Consumption have to obey the laws and serve the interests which, by law, must not exercise their control ~~upon~~ on the labor force. In connection with this it is necessary to separate two completely different factors which collaborate in the economic activity: from one side the productivity of labor which depends from human being, and from the other side, values which, independently from man, follow their own natural way~~x~~ which, in accordance with the needs of Economy, goes from Production to Consumption.

In the unification which takes place between the Capital and the human labor it is necessary to distinguish the following three factors:

- The activity of the entrepreneur which rests on the personal abilities of an individual or of a group of persons;
- The relationship between the entrepreneur and worker, which has to be a relationship of Law; and
- Production of an article which will take its place in the economic cycle as a commercial value.

Under the present Capitalis system the labor force indeed has the value of merchandise which is being bought from the worker by the master.

In reality, the producer receives goods made by the labor force of the worker. This receives part of the value of the article made in the form of wage, and the master receives the other part. The production of the goods therefore originates in the collaboration of the master and the worker, and this product enters the economic cycle.

In order to produce the article it was necessary to ~~not~~ establish the relationship of legal character between the worker and the master. The present Capitalist system, however, transformed this natural relationship into another one in which the worker is put under the economic power of the master. In a regenerated social organism this relationship should be regularized according to the following moral principle: the labor is not paid, because the labor is not the merchandise but the duty. **SECRET CONTROL**

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The labor, indeed, could not be compared to the commercial value of a finished product. Only the article produced by labor has the economic value. Therefore, the nature and the limits of the ~~necessary~~ work necessary for the good functioning of the social organism must be regulated according to the abilities of ~~man~~ the man and in accordance with an existence worthy of him. Politico-juridical state can carry out this regulation of labor only if it is independent from the economic social organization.

Thus, on one side the value of an article increases according to the possibility of acquisition of the raw material needed, while on the other side this value will depend from the legal regulation by which the evaluation of the nature and the conditions of labor necessary for the fabrication of this article will be expressed.

From then on the economic life would depend from two factors:

- Raw materials which must be received in such a stage as the nature gives them, and
- Legal position /gain of contractual percentage, prizes/ which originates in the feeling for justice and which has to be analyzed within the autonomous jurisdiction of the politico-juridical state.

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It is clear that such regulation would cause an increase or lowering of the general wellbeing ~~in connection~~ due to the time limits of labor which will be established by the politico-juridical state. But this dependence is unavoidable because otherwise ~~the~~ workers could become exhausted by economic needs. Such exhausting would lead the workers to believe that their life is unworthy of man. And indeed, this feeling of the human degradation is the cause of all the social derangements.

If the wellbeing of a nation would become lower than the nature and the limits of labor should be changed. However, such decision should not be brought about under the direct influence of economic circles but according to the judgement of the independent judges of the politico-juridical state.

Normally, in each production enterprise the free contracts will be made between the director /owner/ of the enterprise and the workers who will have agreed from their own free will that he will be their boss in the enterprise, being the ablest and the most undertaking. Director will have the right to declare what he ~~considers~~ believes it has to be legally obtained from the invested capital, buildings, material, and time used. The ~~ex~~ profit will be proportionally distributed among all the people according to the functions and the effort put in by director, his assistants, and other workers of the enterprise.

In this manner all the workers together with the director—owner become some sort of shareholders or associates in the enterprise.

The contracts concluded, therefore, will not consist only ⁱⁿ ~~of~~ the exchange of goods /in the form of money for labor force -- for one day, week, or month/ but also in the establishment of the just gain in an established proportion, which will have the persons interested in production on both sides.

In a healthy social organism the worker will have to collaborate in every matter of his enterprise and understand the role held by him in the collectivity on the basis of his producing labor.

In this manner, and in a relatively short time, all honest workers will be able

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to become smaller or bigger owners, which will depend from their individual abilities, and thus the proletariat will gradually but surely disappear -- this contemporary factor of social troubles (derangements).

c) New economic doctrine

The economic doctrine of Dr. Rudolf Stajner (Steiner ?) is in its basis antagonistic to the Socialist-Communist economic doctrine, but it also rejects the negative sides of the contemporary Capitalism and the abuse of labor, as it has been exposed already earlier.

New institutions in the triple social organization will automatically abolish the so-called stage of the struggle of the proletariat, which is taking place because of the workers' wages which will lose their present unnatural and exploitative character.

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The money will acquire the role of credit for the merchandise produced by the other fellow, and it will be, in the new triple organization of society, the means of exchange and not the means of power against those who haven't got it.

The monetary value ~~will have no value~~ is supposed to be the measure of the evaluation of the goods purchased or of the service rendered.

The present states could never solve the financial problem satisfactorily with the aid of the law unless they entrust its solution to the new autonomous economic organization of society.

The community, which will have sufficient financial means, will take care of the social care, in the following way:

--Children will have the right to free schooling and education;

--Father of the family will be able to get for his work higher recompensation than the bachelor;

--Old people, invalids, widows, and sick people will have right to necessary subventions and assistance.

This doctrine of the economic life in a triple organization of state, permeated by spiritual-intellectual impulses, excludes egoism, which from an economic viewpoint exists in the form of class privileges from which an unsustainable situation is born - leading sooner or later into the revolutionary perturbations of society.

VI. THE CONCLUSION ABOUT THE REFORMATION OF SOCIETY AND STATE

Communist-Socialist ideology created and is creating in the world a terrific disorientation which unavoidably leads to chaos.

This negative ideology has a strong root among the free nations of the West, especially among the working masses, and it will certainly produce negative fruits. Democracy is still on defense before the Communist ideological offensive which is infiltrating from all the directions. An ideology, even if false and on (feet) of glass, cannot be defeated by other means, even if it is the most ~~barbaric~~ and terroristic. It can be defeated only by a stronger and regenerative ideology, which would also begin to give

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useful and obvious results in practice, then, in the best way all the arguments of adversaries.

An ideological offensive of Democracy imposes itself unavoidably, reforming Capital and Labor as it has been already done to a certain extent in USA, and joining the carrying out of the triple social organization of the state. Because the tragic of Democracy is still in the fact that its forces of the "good", although STRONGER AND MORE NUMEROUS, are not yet ideologically so strongly organized as the FEW COMMUNIST FORCES OF "EVIL".

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In the Communist states, however, the so-called re-education of the national masses, on the basis of hate for Capitalism and democracy, - in the well known terroristic way, - will leave a deep trace, especially with the youth, also after the liberation of these enslaved ~~new~~ nations from ~~Communist~~ the Communist yoke. It would be necessary to come also before these nations with the regenerated ~~social~~ ~~ideologic~~ ideas and defeat ideologically the Communist opinions and ideas within them. This is especially important in case of Yugoslav Communists and national masses in Yugoslavia, which ~~are~~ were ~~not~~ educated and still always are being educated in the Communist spirit.

On the basis of the proposed triple state organization it could be held in the first moment and even reproached that this reorganization is against the democratic equality of citizens and that they are divided into the former three classes or ~~orders~~ ~~orders~~ workers, army, and teaching cadre. On the contrary. The people will not be divided into classes or orders: only the Social Body will be divided.

Man will, then become the real man because the triple social organization will permit him to live in three ~~xxxxxxx~~ areas ~~xxxx~~ freely at the same time. He will, naturally have a special interest, in the area of his profession. In the other two areas he will maintain the relations full of life thanks to their institutions with which he will be in contact.

THE FOUNDATIONS OF THE SOCIALIST COMMUNIST IDEOLOGY WOULD BE OVERTHROWN in their very life by this proposed reorganization.

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Yugoslavia is, relatively speaking, the richest country in the Southeastern Europe. The fertility of her land permitted before the war ~~to take~~ (took place) in 1941 a permanent export of ~~her~~ the products of her soil. Great mineral wealth of the interior of the country - the minerals were exported in crude and transformed state - together with the slow but natural industrialization made the continuous economic progress of the country and the increasing standard of life of her citizens possible. On the other side, the people of Yugoslavia ~~is~~ are worthy, satisfied with little, brave, and very undertaking.

It can be ~~stated~~ answered with conviction that the reason for it is the Communist economic doctrine which furthermore is being carried out through politico-juridical oppression.

The wealth above the ground or underneath ~~it~~ of a country cannot serve any purpose if the people who exploit this wealth are not free, equal, and satisfied. The Communist police regime, directed by a handful of people headed by Tito, abolishing freedom, equality and human dignity of its citizens, transformed the MAN, this most important economic factor, into a real slave of 20th century. The whole production in Yugoslavia has diminished and it has a tendency to diminish more and more because of such disregard for man.

The weakest point of the Communist state dictatorship is not its political and juridical system as ~~usually~~ it is usually thought. The sickest of its sides is its economic system ~~although~~ in spite of the fact that the Communists consider it their strongest ace and expect from it the salvations and the justification of their bloody dictatorship. Sooner or later, of course, the Communist economic experiment leads the state to the sure ruin.

Because the economic body of the nation, or the economic organism of the state, is a being which lives by itself, which develops and grows in harmony with the proper internal impulses and laws about life, it cannot be moulded and led only in one desired

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direction. Its actions and manifestations cannot be correctly and justly regulated and directed for the general good of society in an arbitrary way by a political dictatorship ~~some~~ or by some theoreticians-fantasts if they are called either Marxists or Leninists. By such an action this living economic organism would gradually retreat, become ill, fade, and finally die.

The food for the healthy social economic organism, in which

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individual can work usefully and construct in his ~~economic~~ individual domain and according to his specific individual abilities, is: free spiritual-intellectual creating, ~~legal-econ-~~ juridical equality and brotherly ~~economic~~ ASSOCIATING of people. This food does not and cannot exist in the Communist society.

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The Yugoslav economy faces sure catastrophe if the present economic system will continue and if it will not be receiving constantly important material means from abroad. Half-measures which had to be undertaken during the last time will not be able to save it from ~~ruin~~ the ruin, because the basic system is bad and because also the ~~ru~~ causes of the crisis can in no way be of "objective" but of "subjective" nature, although the present day economic leaders of Yugoslavia make all the efforts to prove the opposite. It would be wrong to consider these half-measures of the apostate regime for the "signs of its good will" to "democratize the economic life of Yugoslavia," as it is often mentioned in the Western press -- most often in the British one.

The ~~later~~ recent economic assistance from the West, ~~is the result of~~ as natural-financial injections, was able and is able to prolong the life of the sick man only for a certain time; this is not the real medicine, however, so much less so because these injections cannot and will not be given permanently.

The real medicine consists in not helping economically the present Communist regime in Yugoslavia without political conditions, preached by Democracy, and which have to be carried out equally ^{among} ~~in~~ all the nationalities. And this so much more, because the break between Tito and Cominform is definitive.

Otherwise, helping Tito economically, it is helping morally and politically, ^{to strengthen} his bloody dictatorship over an unfortunate people ~~which~~ who -- disappointed -- wish direct war and the change of this hated regime at any price.

Greece, October 17, 1951

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